ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

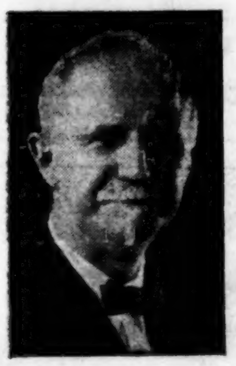
Volume 168 Number 4718 New York, N. Y., Thursday, July 22, 1948 Price 30 Cents a Copy

Politics: Conservatives Again in Saddle

By ROGER W. BABSON

Mr. Babson, relying on Newtonian principle of action and reaction, predicts a return to conservatism in politics and foresees four or more years of good business, with a new era of world-wide expansion.

Sir Isaac Newton (1642-1725) was one of the world's greatest scientists and a founder of mechanics, chemistry, physics and other sciences. He is especially known for his Law of Action and Reaction which he illustrated by the pendulum, the lever, the spring and later in politics. This law is that all progress has a normal growth line; that as we deviate above this normal line, there must be a corresponding reaction below it, in area.



Roger Babson

Since the days of Cain and Abel there has been a constant conflict between those who "have" and those who "have not." As each group got on top, it would abuse its power and a reaction would follow; then the opposing group would get on top until it likewise abused its power and lost out. English history illustrates Newton's Law. Although the masses of England have gradually

(Continued on page 39)

Plans and Procedures of ECA

By JAMES M. CLEARY*
Special Assistant to ECA Administrator

After describing origin, problems and responsibilities of Economic Cooperation Administration, Mr. Cleary outlines methods and procedures whereby private American business concerns can participate in procurements of goods and supplies. Says ECA will have no direct contact with private business and expects to do everything possible to discourage purchases by government missions. Asserts efforts will be made to encourage dealings between private exporters and importers. Points out ECA is not procurement agency.

Jim Donnelly has given me as a subject "The Plans and Procedures of the Economic Cooperation Administration" but has given me only this one afternoon for discussion. Knowledge of recent historical events is, of course, essential to an understanding of ECA. Events such as World War II, Lend Lease, the Relief and Rehabilitation Administration of the United Nations, better known as UNRRA, the Foreign Relief Act, disposal of war surpluses, the Interim Aid Act, the special Greek, Turkish and Chinese Aid Acts, Bretton Woods, the big British Loan, and the United Nations. I shall take for granted a knowledge on your part of why the United States has spent upwards of 21 billions of dollars in these various activities since we won the war.

I'll even be brief in telling you all that has happened since General Marshall made his famous ten-minute talk at Harvard on June 5, 1947. But to give you an idea of what you are being spared I shall run over some of the documents which form the immediate background of the Economic Cooperation Act.

General Marshall's talk stimulated 16 European nations to get together for a discussion of what they could do in a planned constructive way to help each other toward economic recovery. These two volumes summarize the result

(Continued on page 22)

*An address by Mr. Cleary before the Illinois Manufacturers Association, Chicago, Ill., July 16, 1948.

Business Prospects Under the Coming Republican Regime

By A. W. ZELOMEK*
Economist, International Statistical Bureau and Fairchild Publications

Assuming Republican election victory, economist predicts: (1) reduction in farm support prices; (2) higher money rates; (3) slowly reduced taxes; (4) reform of administrative agencies. Advises Republican policy-makers to force early reduction in prices to "get it over with."

If I could believe all that I read in the papers, I wouldn't be here this morning. Scarcely a week passes but what I see a comment by someone, to the effect that present uncertainties make it impossible to tell what is going to happen to business. Well, it is impossible, if we mean that anyone can ever tell exactly what is going to happen tomorrow and the next day. No one can do that, now or ever. But that is not necessary. Businessmen do not have to have an absolutely accurate picture of coming events in order to run their affairs in a businesslike and practical fashion. They have never had anything like that, and never will.

A. W. Zelomek

Present uncertainties are great.

(Continued on page 24)

*An address by Mr. Zelomek before the National Convention of the National Office Machine Dealers, New York City, July 21, 1948.

EDITORIAL

As We See It

"The Challenge"

President Truman in "accepting" a Democratic nomination reluctantly given is supposed to have "stolen a march" on the enemy. His act in calling a special session of Congress and in "challenging" it to enact an extensive program of legislation long demanded by him is said by some observers to have placed the Republican Party in an "awkward" position, or, to employ a term borrowed from the prize-fighting world, to have caught Governor Dewey and the Republican members of Congress "off-balance." We confess to a suspicion, based on the record, that it will not be found particularly easy to out-maneuver the Governor on the field of political battle, but about such matters we profess no special knowledge and are quite content to leave this aspect of the matter to the test of time.

The situation which the President has thus chosen to precipitate does, however, interest us profoundly. It seems to us that an opportunity has been created for the sort of challenge to the New Deal which we are certain large segments of the population have long wanted. Since the platform drawn up in Philadelphia at the time Governor Dewey was selected as the party's

(Continued on page 22)

"Realistic" Exchange Rates

By NORMAN ALEXANDER

Writer, in calling attention to theories expressed by various commentators that exchange rates in free and black markets show "true" value of currencies, points out these markets are dominated by local conditions, and therefore cannot be accepted as "realistic." Cites discrepancies in various exchange rate movements due to peculiar situations, and concludes, though purchasing power parity theory of exchange rates has shortcomings, it has certain applicability in many countries as basis for judging "realistic" rates.

Most countries today have persistent balance of payment deficits, and they are able to maintain stable exchange rates with the U. S. dollar only by exchange control and other devices. In a good deal of the discussion of this situation people speak of the need to "correct" the existing exchange rates, to establish "realistic" rates, etc. This raises the question of how to determine what are in fact "correct" and "realistic" rates.

Some commentators speak as if the rates quoted in the various free markets and black markets throughout the world show the "true" values of currencies. Yet the quotations in these markets are often so inconsistent among themselves as to cast a great deal of doubt on the significance of any of them. Thus, for example, in the Rome free market early in March of this year the dollar was quoted at 572.5 lire and the pound sterling at 1,839 lire, which works out to a valuation of $3.21 for the pound compared to the official value of $4.03; yet the cross rate in Brussels works out at $2.25 at this same time, and the **black** market in Rome (which is distinct from the **free** market) quoted rates equivalent to $2.23. What was the true rate? Late in May these spreads had narrowed somewhat but were still substantial, the cross rate ranging from $2.58 in Paris and $2.70 in Brussels to $3.42 in the Rome free market; yet even this involved a spread of no less than 33% between the lowest and highest quotations. Nor is this situation confined to the pound sterling, though few other currencies show such wide divergences, probably because few other currencies are so widely traded. Quotations of the French franc in Brussels and Lisbon showed a spread of over 10% as late as the middle of April; an equal spread was shown by the Belgian franc in the same markets a few weeks earlier. Even the Swiss franc, which generally shows fairly consistent rates in the various markets, differed by about 8% at the end of April in the Brussels and Paris black markets.

Nor is it merely a question of inconsistent rates at a given point in time: the movement of quotations for these currencies **over** time have been different in different markets. Once again the most important example has been the pound sterling. From early March to the end of April the pound-dollar cross rate remained almost stationary in the Rome free market (it advanced about 4 cents in the two months), whereas in the same period it rose by 27 cents on the Brussels market and 20 cents on the Paris market. Another example is the Italian lira, which remained stable at about $0.00174 on the Rome free market between the beginning of March and late May, whereas on the Rome black market it rose from $0.00151 to $0.00171 (a rise of about 13%).

A little thought makes it clear that these various markets are independent of one another to a large extent, for various reasons. We unconsciously tend to think in terms of universal free markets for both goods and currencies, whereas a great deal of world trade is now being carried on under bilateral agreements. Many of these agreements are doubtless entirely justified under the circumstances, and probably do much less harm than they might do under different conditions; but, when combined with almost universal exchange control, one result is that free or "black" exchange markets in the countries concerned are dominated by local factors with little or no correction by international arbitrage transactions. For one thing both the supply of and the demand for foreign exchange on any of them is dependent to a considerable extent on government policies, whether it is an officially recognized free market or a black market. In many cases the supply is affected by licenses granted by the government to exporters to sell some or all of their exchange proceeds on the free market; in any event the strictness and success with which the government's exchange control policies are enforced is a very important factor. Similarly, the ease or difficulty with which exchange can be got from the authorities for various purposes affects the demand side of the market. So do such things as tariffs, quotas, and other trade policies. In addition there is usually some distortion due to the flight of capital between various countries, which is affected by rumors and fears as much as by facts. Capital flight is a disequilibrating force which tends to worsen a country's balance of payments, and which is in turn aggravated as the balance of payments becomes progressively worse. Thus it tends to weaken already weak currencies still further, and to strengthen those that are relatively strong. Furthermore, it must be stressed that it is **relative** strength that is significant in this situation — a currency may not be particularly strong in its own right, but if it is stronger than the currencies of its neighbors there will be a tendency for the nationals of the neighboring countries to change their money into that currency.

For all these reasons, then, we could hardly expect that the exchange rates would be especially consistent within these various markets. It is really surprising that the quotations are as close as they are. Even when all necessary qualifications are made with respect to the evidence offered by the free and black markets, however, it is fairly clear that most currencies would stand at a considerable discount below their official parities in terms of the U. S. dollar if market forces were allowed to operate freely throughout the world. Can any independent estimate be made of the "true" levels of these currencies? In the past economists have frequently made use of so-called purchasing power parity computations, based on changes in price indices in two or more countries over given periods; let us see what such computations can offer in the present situation.

Paradoxically enough, purchasing power parity computations indicate little or no overvaluation of the major currencies. Indeed the official exchange rate would appear to be an undervaluation in many cases, including some of the countries experiencing most trouble with their balance of payments. Thus the wholesale price index in Great Britain had risen to 199 in February of 1948, whereas that in the United States had risen to 186 (both figures based on 1937=100); since the pound was worth about $4.94 on the average in 1937, this indicates a present parity value of $4.62 compared to the official rate of $4.03. In other words this makes the pound presently **undervalued** by 13%. A similar computation based on cost of living indices works out at a value of $4.72, which means a present undervaluation of 15%. Computations for France work out at an undervaluation of 10% based on wholesale prices and an overvaluation of 5% based on cost of living. Nevertheless, both these countries are experiencing great difficulties in their balance of payments, especially in their balance with the United States and the dollar area.

Even more surprising results appear in an examination of the Belgian situation. Here is a country that is experiencing very little balance of payments trouble, and has actually been able to extend substantial credit to neighboring countries in Europe. Yet, on the basis of wholesale price data late in 1947, the Belgian franc was **overvalued** by no less than 38%; using January data for the cost of living instead of wholesale prices we get an even greater overvaluation, namely 49%, and if we use February data we actually get 58%. With such overvaluation in its currency how can Belgium sell abroad? How can it balance its international accounts?

Possible explanations of these paradoxes may be divided into two groups. One group is based largely on technical weaknesses in these particular computations of purchasing power parity, the other is based on more fundamental criticisms of the purchasing power parity concept itself. One technical weakness involves the well-known tendency of component prices in any price index to diverge substantially in a period as long as the 11 years that have elapsed since 1937. This means that, even in normal times, computations based on a situation 11 years previous would be open to a wide margin of error. It is clear enough that this margin of error must be even greater when the events of the last 11 years are considered, though it does not seem possible to determine in what direction this distortion would bias the computations.

A second type of technical

(Continued on page 27)

INDEX

Articles and News Page

Business Prospects Under the Coming Republican Regime —A. W. Zelomek ..... Cover
Plans and Procedures of ECA—James M. Cleary ..... Cover
Politics—Conservatives Again in Saddle —Roger W. Babson ..... Cover
"Realistic" Exchange Rates—Norman Alexander 2
Corporate Investors Need a Better Box Score —Maurice H. Stans 4
Testing Investment Timing Formulas—James W. Bridges 4
The Securities Business and Free Government —Francis Adams Truslow 6
Repercussions of International Wheat Pact Failure —Edith Hirsch 6
What the SEC Is Doing—Edmond Hanrahan 7
Management's Part in the Free Enterprise System —Sen. Ralph E. Flanders 8
Doing Business Under European Recovery Program —A. M. Strong 10
If I Were a Retail Salesman—Emerson W. Axe 12
The Increased Cost of Corporate Living—L. E. Wilson 13
Securities Business—Is It a Profession?—Ferdinand G. Smola 13
Inconsistencies of British Economic Policy—A. M. Sakolski 15
The ERP Agreements—A New International Era —Ernest A. Gross 17

* * *

Price Control in the Securities Field (Editorial) 3
Henry Wallace Urges Repeal of Draft Law 8
Now Is the Time to Buy Common Stocks, Says Karl D. Pettit 9
Federal Reserve System Survey, By D. McC. Holthausen, Finds Growing Preference for Fixed Value Assets 13
Emil Schram Warns of Debt Financing 14
Philadelphia Federal Reserve Bank Previews Business Prospects for Last Half of 1948 15
U. S. Chamber of Commerce Opposes New Economic Controls—Suggests Voluntary Restraints 15
Hum Drum, Everyday Facts (Boxed) 18
National Industrial Conference Board Reports Proved Reserves of Natural Gas Will Last 30 Years 18
Jules Backman Sees Continuation of High Level Activity 18
NYSE Reports Quarterly Loss 18
Treasury Secretary Snyder and Joseph M. Dodge, in Exchange of Letters, Pledge Efforts Against Undue Credit Expansion 19
World Bank Announces Full Disbursement of Loans to Holland and France 19
Australia to Cut Dollar Expenditures 19
Morton Bodfish, of U. S. Savings & Loan League, Reports Progress in Low-Income Families Home Ownership 20
Evans Clark, of Twentieth Century Fund, Says World Tension Requires Better Public Understanding of Economic System 20
Maple T. Harl, Head of FDIC, Warns Commercial Banks on Realty Loans 21

Regular Features

As We See It (Editorial) ..... Cover
Bank and Insurance Stocks 10
Business Man's Bookshelf 27
Canadian Securities 14
Coming Events in the Investment Field 25
Dealer-Broker—Investment Recommendations 8
Einzig—"Parliament Approves ERP Pact" 14
From Washington Ahead of the News—Carlisle Bargeron 7
Indications of Business Activity 33
Mutual Funds 12
News About Banks and Bankers 20
Observations—A. Wilfred May 5
Our Reporter's Report 39
Our Reporter on Governments 28
Prospective Security Offerings 38
Public Utility Securities 17
Railroad Securities 16
Securities Salesman's Corner 16
Securities Now in Registration 36
The States of Trade and Industry 5
Tomorrow's Market (Walter Whyte Says) 30
Washington and You 40

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, July 22, 1948

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Price Control in the Securities Field

Price control condemned. Law of supply and demand should govern free enterprise; normal markets are hindered by artificially imposed price controls. The NASD "5% spread" yardstick disapproved. Makes no allowance for profit. Is based on false conclusions drawn from prying questionnaires. This yardstick should be rescinded forthwith.

Consistently we have opposed price control, expressing our viewpoint editorially again and again.

It is our contention that the economic law of supply and demand should govern prices. This is sound American doctrine and characteristic of a way of life consonant with our American institutions.

The securities field offers a prime example of a non-emergency business which has been the whipping boy of price control.

The Maloney Amendment to the Securities Act of 1934 which resulted in the establishment of the National Association of Securities Dealers was the chief medium used to accomplish price control in the securities field.

This was made simple by a life and death power which the Securities and Exchange Commission has over every Maloney Association.

The anomaly is that as both the SEC and the NASD were disavowing any intent or purpose at price control, both of these organizations proceeded forthwith to control prices.

The NASD passed its "5% spread" yardstick and philosophy. Did we say passed? The choice of the word is unfortunate. It adopted "an interpretation" and "by-passed" its membership most artfully by declaring that this was not a "rule." In this interpretation the NASD received the support of its partner the SEC.

This is as good a time as any to remind our readers that all efforts to determine what part the SEC played in the enunciation of the 5% spread philosophy, the extent, if at all, to which it participated in preliminary conferences, have proven absolutely futile.

The silence of the Commission in this regard justifies the belief that it did and does have an *in camera* position.

There are certain standards that the average man uses in conducting his business. He estimates his overhead and then provides for a measure of profit.

The 5% spread philosophy does not consider the element of profit at all. It is senseless and arbitrary and is based upon prying questionnaires from which wholly improper conclusions have been drawn.

There are any number of situations which in a free and liquid market based upon supply and demand should govern prices. Of these, overhead is only one.

All special services which are beneficial should be rewarded.

The headache of price controls, other than those imposed by supply and demand, is a continuing and mounting one.

Artificial standards, such as the SEC attempt to impose "reasonable relation to the market price," have only worsened the situation because there has been no attempt to define the word "reasonable" in terms of dollars and cents.

No secret is made of the fact that in fixing sales prices the dealer proceeds at his peril in the hope that, if put to the test, the NASD or the SEC or both will find that the sales prices were in fact reasonable.

Proceeding on a mere hope is dangerous and business should be made of sterner stuff.

To our mind, the following cogent reasons, among others, urge the immediate rescinding of the 5% spread yardstick:

1. Rising costs generally.
2. The increase of commission rates by the Exchanges.
3. Need for a fair deal to security dealers.
4. The urgent importance of an immediate return to our system of free enterprise.

The SEC and NASD would do well to immediately cancel out the iniquitous 5% spread philosophy and yardstick. THE PUBLIC INTEREST DEMANDS THIS.

Corporate Investors Need a Better Box Score

By MAURICE H. STANS
Certified Public Accountant

Mr. Stans outlines recommendations of Committee of American Institute of Accountants for greater clarity and uniformity in presenting financial statements to public. Says corporate reports in past have not adequately distinguished between usual and extraordinary or non-recurring transactions in summarized financial statements and thus have not properly presented rate of earnings per share. Presents rules for proper form of "box score."

A few minutes after the last batter has been retired in a big league baseball game, the official scorer delivers to the press a tabulation, or box score, of the day's statistics. Unusual plays are reported in a summary following a columnar table showing such items as hits, runs and fielding statistics. That box score is printed on the sport pages of the newspapers of the country. It is a uniform way by which the baseball enthusiasts can follow with ready understanding the daily batting and fielding results of his favorite team and favorite players.

Maurice H. Stans

When a publicly-owned business corporation reaches a fiscal milestone, it releases an earnings report to the press and statistical services. Unfortunately, there is usually scant information in the report and by the time it reaches the reader it takes on many different forms. Six newspapers may show the figures in six different ways. Some will run it as a narrative; some will tabulate it with those of other companies in a table of one kind or another, stating earnings in dollars and in amount **per share**; some will show comparative figures for a corresponding previous period and some will not. This diversity of presentation is not helpful to readers and most of the reporting, for inherent reasons, has been frequently misleading in such form, as will be demonstrated. The greatest fallacy is in the emphasis upon a single figure **(of earnings per share)**, a figure which accountants and analysts have long known to be dangerous and frequently deceptive when interpreted as a sole standard of performance, present or prospective.

Box Score Needed

Business needs a better box score for reporting its results! Such a box score need not be one which attempts to show all hits and errors of the operations of the period. But it certainly should be one which gives more significant facts, and those in more uniform style, than the figures which are now available on the financial pages of the newspapers and in the financial press.

Here are the reasons for such a change in reporting methods:

(1) Business operations almost inevitably involve two different types of transactions—those which are usual and ordinary within the scope of the regular activities of the fiscal period, and those which are unusual, extraordinary or non-recurring. Any method of financial reporting which does not fully recognize this distinction is likely to be deceptive.

(2) Corporate reports in the past have not adequately and uniformly made that distinction, and the figures of **net income** and **earnings per share** have not been determined under a defined or standardized procedure as to inclusion or exclusion of such abnormal items. Accordingly, results so published have not had the same meaning or significance, because unusual gains or losses of a type included by one company have been excluded by others and carried directly to surplus.

(3) **The public's current investment decisions should not be based on so variable a yardstick, but rather upon a method which follows some rules for determining the items to be excluded and gives them full and equal disclosures.**

(4) Recognizing the need for more uniform reporting, the public accounting profession has now settled upon criteria and procedures for segregating the unusual from the usual in corporate reports. Public press reporting will be defective so long as it fails to make the same distinction and disclosure. Consideration of specific cases will bring out more clearly the error that can result from relying upon a single figure for **net income** and **earnings per share.**

Earnings Per Share

The **earnings per share** of a company are determined by dividing the reported amount of **net income** by the number of shares outstanding (after deducting, of course, any amounts which accrue to the benefit of prior classes of stock). Thus, the elements that go into (or are excluded from) the determination of that **net income** are important; unfortunately, not all companies have had the same ideas as to what belongs in **net income.** Take these illustrations (assuming in each case that the company has 1,000,000 shares of stock outstanding):

(1) **Company A,** which earned $3,000,000, after taxes, from its operations, also had a tax-free receipt of $500,000 in the form of proceeds of life insurance on its deceased president. Are the **earnings per share** properly to be reported as $3 per share or $3.50 per share?

(2) **Company B** decides to build a new plant and thereafter disposes of its old plant at a book loss of $800,000 which, however, reduces its income taxes by $200,000. In the same year, it has earned $3,000,000 from its operations, after taxes thereon. What is its **net income,** and are its **earnings per share** $2.20 or $2.40 or $3?

(3) **Company C,** which has a profit of $2 million from its operation, also receives during the year a refund of $400,000 in excess profits taxes paid during a previous war year. Are its earnings for the year $2 per share or $2.40 per share?

(4) **Company D** has a net profit of $1 million from its operations, after taxes. In addition to that, it realizes $1 million on the sale of a patent, on which it will owe the government $250,000 in capital gains tax. Is its **net income** $1 per share or $1.75 per share?

It is well known among analysts and investors that in the past corporations have differed in their treatment of many special items such as those described. Some have taken the position that any transaction which results in a gain or loss should be included in computing the **net income** for that year. Others have taken the position that **net income** is a more meaningful term if it includes only the results of the ordinary operations of the business and excludes transactions which are extraordinary and non-recurring, or which represent corrections, adjustments or final dispositions of items relating to prior periods. Some corporations, in fact, have changed their minds from year to year.

Exclusions From Income

Until now there has been no regularly recognized set of criteria for determining the items either as to class or amount, which should properly be included or excluded from the annual determination of net income. This was well illustrated in a recent survey by members of the accounting staff of the Securities and Exchange Commission. In an attempt to measure the extent to which unusual items of gain and loss have been excluded from annual income computations, as well as the inconsistencies in treatment of similar transactions in corporate accounting, the annual reports of 160 business corporations were analyzed over a period of several years. The findings included these points:

(1) The statements of all but

(Continued on page 28)

Testing Investment Timing Formulas

By JAMES W. BRIDGES
Partner, The Keystone Company of Boston

Mr. Bridges points out though basic principles of investment timing formulas are relatively simple there is considerable variety in carrying out these principles. Describes a variable ratio plan and a 30-year test of its effectiveness. Concludes no one test can provide an all-inclusive answer to merits of any single formula plan.

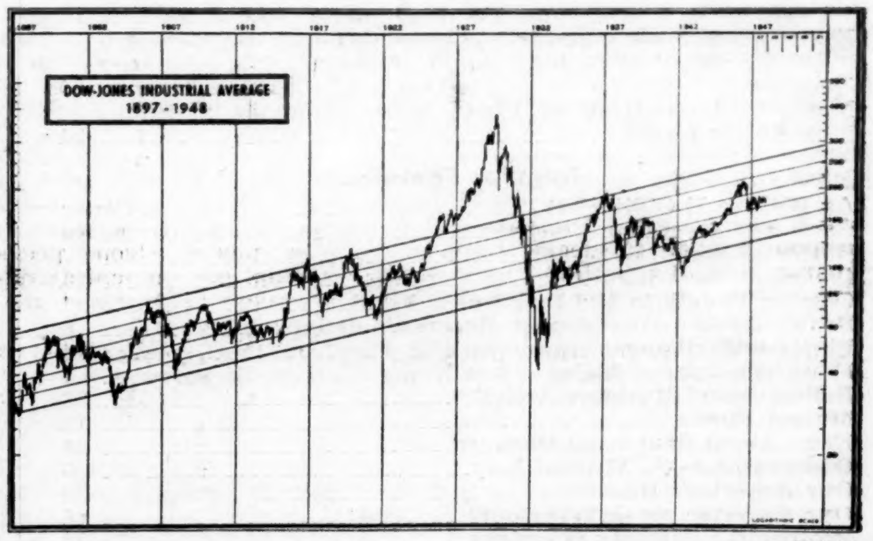
When Yale University publicly announced some years ago that its substantial endowment funds were being managed by formula timing, a sharp increase in investment interest in this method of managing an investment account was aroused. Perhaps the next best known plan, the Vassar College Plan, accelerated the trend of general public interest. The publication of several books on the subject, including the studies of Miss Lucile Tomlinson[1] and Mr. Harry G. Carpenter[2] have helped to attract even more attention. Recently, a number of articles have appeared challenging as well as advocating it. Thus, formula timing, as a worthwhile investment management method, can probably be assumed to have arrived.

James W. Bridges

One difficulty, insofar as accurate evaluation of the pros and cons of formula timing by the public is concerned, is its comparative youth. Unlike most investment management methods, however, the fact that it is a fixed formula permits certain tests of its effectiveness which can be undertaken without benefit of hindsight. The record of the Dow-Jones Industrial Average, probably the best known barometer of stock prices, has been established each day for 50 years. It is then possible to select it as a representative investment in stocks for a long-term test in which hindsight is virtually eliminated.

Basic Principles

The basic principles of formula planning are relatively simple, although considerable variety in carrying out these principles exists. Without attempting to go into the details of the various types of plans, formula timing simply recognizes that there are two general classes of securities—Defensive (stable bonds or cash) and Aggressive (more volatile common stocks). The specific formula determines in advance what the division in any given fund should be between these two general classes, and the conditions under which the proportions will be changed. Some formulas depend upon the movements of a market index; others on changes in the value of the fund itself.



The general type of plan known as variable ratio (because it calls for a steadily decreasing ratio of Aggressive securities as stock prices rise and an increasing one as they fall) offers the greatest expectation of capital growth and is probably in most general use. It requires the establishment of a "median" zone, line or level, above which sales of Aggressive securities are made, and below which these classes are bought.

The Keystone Company, which began developing formula methods several years ago, has publicized a variable-ratio plan which is based on the historical experience of the Dow-Jones Industrial Average, from the time the average in its present form became available.

As is shown in the chart (Chart I), parallel lines touching the approximate normal highs and lows of the Dow-Jones Industrial Average were drawn. The area between these lines was divided into five equal parts. The area below the five bands created by these lines, and the area above, give seven zones numbered one to seven. Zone 4, the middle band, was determined as the median band, calling for an equal division of the account between Defensive and Aggressive securities.

(Continued on page 30)

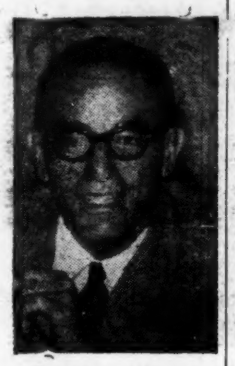
1 "Successful Investing Formulas," published by Barron's Publishing Company, 30 Kilby Street, Boston 1, Mass.
2 "Investment Peace of Mind," published by Scarborough Press, Scarborough, N. Y.

Observations . . . .

By A. WILFRED MAY

Mr. Truman's Undermining of Democracy

The latest actions of our Party-in-power incite further grave worry over the present-day workability of democracy. In the first place let us take a look at the call for a special session of the Congress. At its inception many of us at the Democrats' Convention last week had been feeling great sympathy for the President over the drubbing administered to him and the attempted stooging of Eisenhower and Douglas by the self-seeking New Deal "outs." But the regard for Mr. Truman's position was completely extinguished by his acceptance speech. Sickening as was the "rich-versus-poor" demagoguery running through the President's entire remarks, the all-time high of cheap political "strategy" was reached by his announcement of the recall of the Congress—because of both its place and manner. In the context of his upbraiding of the 80th Congress at the time of his nomination to head a political party, and his stated purpose of its recall to give the opposition party "what-for," it surely constituted nothing less than a brazen unabashed use of his office by the nation's chief executive to make capital for his coming campaign.


A. Wilfred May

Although the subsequent acceleration of the Berlin crisis may give a coloration of dignity to the procedure, this will be an *ex post facto* "out" from the lowering of the prestige of the Presidency to that of a local dog-catcher hell-bent for re-election. As a matter-of-fact, the acuteness of the international situation only makes the President's partisan trick worse for his country, in staging a free-for-all demonstration of pre-election dis-unity for the benefit of foreign observers. Even if Mr. Truman's political strategy is wholly disproved, and the Republican leadership and candidate Dewey are not shown up, the country's welfare will be damaged. It reminds one of the then President-elect Roosevelt's ruthless sabotaging of the national welfare between November and March, 1932-33. But, whereas in the former period Mr. Hoover was the chief goat and Mr. Roosevelt the hero, now the country is the sufferer, and a foreigner, Mr. Molotov, the main beneficiary. Whatever embarrassments the latter gentleman and his regime may have, they assuredly are of a different kind.

Campaign Perversion of Economics

A second facet of the threat to our democracy is evidenced by the politically-directed perversion of economic facts to suit campaign purposes. This is seen in the Democratic platform, in the President's acceptance speech, and in the manifested preparations for the special session. In his last week's acceptance address the President chastised his opponents ("the rich") for high prices, which will next week be reiterated in Congress in his demands for "anti-inflation" controls. No economist herself, how can the consuming housewife withstand the tempting promise of controls to end present sky-high prices of 98 cents for chopped beef, 95 cents for butter, or 23 cents for milk? How can the consumer be expected to recognize the pure hokum behind the easy demonstrations that all that is needed for price-relief are easily-imposed price controls; to know the other side of the picture as proven in every other country where they are being tried; to realize that inflation really comes directly from the vast outpourings of irredeemable printing-press money, from price-guarantees and subsidies, and from the torrential government spending—all of which elements will be enlarged even further, not contracted. How can the consumer-voter understand the direct causal relationship between the pressure of the money supply which is artificially expanded out of proportion to the physical production; or know of the fundamental importance of government spending on the prices which he pays? How can the lay voter understand the very multiplication of the national dollar income, of which the Democrats so volubly boast, is itself a manifestation of their inflationary stimulants. **What a wide-open field is opened for demagoguery—and the eventual loss of freedoms!**

But it is in the Democratic platform that economic illiteracy really runs riot. It too speaks of "Republican inflation," and on taxation it conforms to the President's address in which he uttered the economic gem that the Republican tax bill sticks a knife into the backs of the little man (overlooking the fact that seven million of the lowest-income groups were thereby completely released from the tax rolls). The Taft-Hartley Labor-Management Relations Act is excoriated and its summary repeal demanded by both the platform and the President despite his reliance on it in the concurrent coal mines strike, and despite the fact that this "Republican legislation," pursuant to the overwhelming will of the people, was passed over the President's veto with the indispensable aid of 126 *Democrats,* most of whom are now running for re-election.

In contrast to the copious palaver abusing the Republicans about inflation and controls, the Democratic platform devotes a scant three-and-one-half lines to an affirmative statement of fiscal policy: "We pledge the continued maintenance of those sound fiscal policies which under Democratic leadership have brought about a balanced budget and reduction of the public debt by $28 billion since the close of the war." (??). And not even a formal gesture toward "a sound currency"!

Promise Avalanche

In specific hand-outs the Democrats are promising: a minimum 50% increase in old-age benefits, extension of unemployment insurance, a rise of 85% in the minimum wage, statehood for Hawaii and Alaska, school lunches, and for the nation's 4,000 psychiatrists appropriations to effectuate the Mental Health Act; somewhat more vaguely: crop insurance, flexible agricultural price support, development of natural resources, expanded agricultural credit, greater farm prosperity; and with complete vagueness: it "recognizes the importance of small business in a sound American economy," and "pledges a positive program to promote competitive business and foster the development of independent trade and commerce."

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Over-all industrial production was sustained at a very high level during the week; output in most lines somewhat exceeded that of the corresponding week a year ago. Employment and payrolls continued to increase slightly; labor-management relations were generally favorable. While some raw materials remained somewhat difficult to obtain, most producers were able to obtain an adequate supply for current production needs.

* * *

In a research survey undertaken recently by the National Association of Manufacturers reviewing the current history of wages and prices, it finds, that the hourly earnings of factory workers increased 61% between 1939 and 1944. Since the rise in the cost of living was held to 26%, "real" hourly earnings—the amount of goods the money would buy—increased 28%, the Association notes.

In addition, the average hours worked per week increased from 37.7 to 45.2. Taking into consideration the premium rates paid for overtime, the longer work week still further increased the weekly earnings of factory workers.

The net effect of increases in rates of pay and in hours of work between 1939 and 1944 was to raise the average real hourly earnings of factory workers by 28%, and their real weekly earnings by 53%, the study found.

In setting forth the result of this increase in hourly earnings of factory workers, it states, that for the month of May of this year the average weekly pay check of this group bought 27% more goods than could have been purchased with the amount he was receiving in 1939.

In return for the pay check, with purchasing power 27% higher than his 1939 earnings, the worker put in 2.2 more hours of labor, it was shown. The average work week last May was 39.9 hours compared with 37.7 hours in 1939, the survey reported on the basis of U. S. Bureau of Labor Statistics.

* * *

In the steel industry on Friday of last week, the United States Steel Corp. finally gave up its previous attempt to ward off higher prices, following its capitulation to its 280,000 wage and salary workers, by granting them an approximate wage increase of 8%. The over-all cost to the corporation as a result of these higher wage rates is likely to exceed $60,000,000 annually, due to the broad range of the increase which is expected to cover 30 job classifications.

The steel companies will undoubtedly follow up this latest pay advance with a mark-up in the price of steel, as indicated by U. S. Steel. This increase will undoubtedly reflect other related cost factors entering into the production of steel, such as increases in coal and other raw materials and freight charges.

STEEL CAPACITY RATE SHOWS 2.3% GAIN OVER PREVIOUS WEEK

The steel industry was one of the last major industrial groups to put its financial house in order as it faces what may be the greatest inflationary boom in American history, according to "The Iron Age," national metalworking weekly. The price increase will probably be attacked from all sides as an inflationary step, but steel firms have a good story to tell—if they can get it across. The coal settlement will mean an added cost to the industry of about $80 million a year at current rates of output. The steel wage and salary raises granted last week and this week will cost the industry another $195 million a year. Taken together these two wage and salary raises alone will mean an added cost of $4.30 a ton on finished steel to be made within the next 12 months, according to "The Iron Age."

When all the steel price increases have been recorded it will be found that on an annual basis they will cost the consumers, reports the above authority, more than $500 million, or about 7 to 8% of the total revenues received by the steel industry in the past year. The difference between that figure and the $275 million coal and steel wage and salary bill must take care of (1) freight increases which bore heavily on steel firms in purchase of raw materials; (2) increased cost of equipment which has gone up so much in recent years that expansion plans have been revised; (3) increases in raw materials such as scrap, oil, nonferrous metals, chemicals and other materials going into the making of steel. The rise in steel prices a year ago and the intermittent increases after that period have not offset higher steel-making costs. Balance sheets show it. Those to be made public over the next few weeks will also indicate the trend of expenses.

Philip Murray has finally capitulated to the need for a percentage-wise increase in pay—the first in the history of the steelworkers' union. In each prior wage advance the raise has been a straight cents per hour boost. The spread between skilled and semi-skilled workers has become ever smaller since 1937 when the union got its first contract. The type of raise announced last week and this week fits bet-

(Continued on page 25)

First Boston Corp. Elects Two New V.-Ps.

The First Boston Corporation, 100 Broadway, New York City, announced following a meeting of the board of directors, the election of William B. Chappell as a Vice-President. At the same time Wilbur M. Merritt was elected Vice-President of the Municipal Department. Both executives are with the New York office of The First Boston Corporation.


William B. Chappell

Also elected Vice-Presidents were Richard M. Delafield and Herbert E. Moore in the Corporation's Chicago office, and Dennis H. McCarthy in the San Francisco office.

With Robert G. Lewis

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Florence Hall has joined the staff of Robert G. Lewis, Central National Bank Building. Miss Hall was previously with S. A. Sandeen & Co.

The Securities Business and Free Government

By FRANCIS ADAMS TRUSLOW*

President, New York Curb Exchange

In commenting on achievements of free government in America, Mr. Truslow stresses part played by securities business in putting people's savings to useful work in building and maintaining industries. Says stability of our form of government can be attributed to wide distribution of national wealth and points out Wall Street today "operates in modern goldfish bowl."

It is a great privilege to be given this second opportunity to address what has become an outstanding annual event in American finance—the convention of State Securities Administrators. Last year I stated some opinions I hold about the part which the securities business of our nation will play in the world. In these surroundings, after crossing from ocean to ocean, and in this Centennial year of the Oregon Territory our minds are filled with admiration for what has been done in America.

Francis A. Truslow

I am sure that our friends from other lands, who are here today, will not misunderstand if I talk for a few minutes of our confidence in what we have developed in America and of our confidence in the character and soundness of American finance.

This will be no statistical presentation. The subject is beyond the scope of statistics and I am afraid equally beyond my capacity to express it.

Some suggestion that I speak today of our belief in America, in our way of governing ourselves and in our methods of doing business came from a talk I had a few weeks ago with a brave man from Poland. He is a great patriot who has suffered with his country and has lived through its incredible changes. He is visiting this country again after a long absence.

I asked him what changes he had found here after 40 years away. As I remember them, his words were these:

"In the last 40 years your country has become aware of the individuality and the strength of its own art and its own institutions. That awareness has increased your confidence at home and your importance to the world. Forty years ago you went abroad to study, not to teach. Your artists were still copying the art of Europe and your scientists were drawing on the science of other lands. Your statesmen followed the traditions of an imported diplomacy. Today you have an art which is your own, a science made in America, a directness in diplomacy which is native and a way of doing things which all the world calls 'American'. The emergence of your country as a confident, individual and self-reliant power in the world is your greatest change in the last 40 years."

He stressed our confidence. He stressed the individuality which is expressed in our actions, and he spoke of the self-reliance which has sprung from that individuality and confidence.

Our talk led me to think of the sources of that confidence and of how we are inclined often to forget what accomplishments are represented by America and to minimize the basic honesty and humanity on which our lives rest.

Forty Years' Progress

Forty years ago I was struggling with the enormous problem of how to walk and how to talk. So I am disqualified by age from judging the soundness of my friend's opinion over the full sweep of his experience. But we have all watched parts of the process of change he described and have been surrounded all our lives by the sources from which our confidence springs.

Two exhibitions of why we may confidently face the world and all its problems are before us today. This gathering is one and the Pacific Northwest, in the midst of which we meet, is the other. They symbolize our solution of the human problem of government and our achievement in creating a place in which to live.

In this room men who represent government and men who represent their own private affairs are assembled together, participating as friends in the work and festivities of a conference. That fact is so commonplace in America that the natural query is, "What of it?"

In our country a problem which much of the rest of the world faces passionately, is no real problem at all. We have answered the question of how the lives of men shall be organized and governed here in America. Our answer is alive in this room. The only kind of government which men can permanently accept is one in which every citizen participates on a free and friendly basis.

Gatherings such as this one are being duplicated daily throughout our land. They vary in the number of persons involved and in the interests of the groups represented. They do not vary in the spirit of free association which exists in America between private men and the officials of their government. We cannot imagine anything more incredible than the idea that some Federal or State official here today might rise and prevent my saying anything I may want to say in the rest of this talk. I know that I could disagree profoundly and vocally with every official among us and still sleep soundly tonight. What we take for granted would be incredible to the inhabitants of large parts of the world.

The human relationships which represent our form of government are not the result of laws. They spring from attitudes and opinions which are sacred to each of us. It is inconceivable that our government should be anything other than an agency responsible to us. We assume that its officials are our friends today and that tomorrow we may take their places and they ours.

It seems to me that there is no deeper source of confidence for us in America today than the knowledge that the way we govern ourselves is inseparable from us.

Our next exhibit is Oregon. A hundred years ago it took Governor Lane six months to get here from Indiana. We flew from the Atlantic in a few hours last Saturday. A hundred years ago Portland was a few huts and there was not much else in the state except a trading post at Astoria. Today Oregon is a busy, peaceful and growing land in which over 1,500,000 people make their homes. The energy and genius of the people, who have gathered from all the world to make America, stands forth in Oregon.

Yet Oregon is only part of what has been created between the Atlantic and the Pacific in those hundred years. Since the Oregon Territory was established, America has grown from 17 to 144 million people, thousands of cities have been built, the land has been criss-crossed with railroads and highways and power lines, countless farms and mines and factories have poured forth their wealth.

No comprehensible measurement can be given of what has been done in America in the last hundred years and no such measurement is necessary. We are surrounded by the results. We can drive its highways, ride its railways, fly in its planes, visit its camps and mines and ranches and

(Continued on page 29)

*An address by Mr. Truslow before the 31st Annual Convention of the National Association of Securities Administrators, Portland, Ore., July 21, 1948.

Repercussions of International Wheat Pact Failure

By EDITH HIRSCH

Commenting on failure of Eightieth Congress to ratify the International Wheat Agreement, writer points to impending large crops as indicating U. S. wheat surplus. Says there is no free world market for wheat and foresees wheat in U. S. selling at parity price with large purchases by Commodity Credit Corporation.

The U. S. Department of Agriculture has reproached the Eightieth Congress bitterly for not having ratified the International Wheat Agreement. Opposed by the grain trade and millers, the agreement was not reported out of the Senate Foreign Relations subcommittee and thus did not become law. England thereupon withdrew from the agreement and there is little hope that it will ever become valid. Whereupon, U. S. Secretary of Agriculture Brannon said in a four page statement that "this is an outstanding example of the irresponsibility of Congressional leaders. . . . It is policy-making by default. It is a failure to perform clear responsibilities."

Mrs. Edith J. Hirsch

This is the second time an international wheat agreement died. That of 1943 was at least formally living for a short time. It had never had real importance.

The agreement would have assured the American wheat farmers of broader markets for a period of five years. It would also have saved the ERP countries up to $80 million in this crop year alone. But it would have slowed down the adjustment of the American agriculture to inevitably smaller wheat exports in the coming years and disturbed the natural trade conditions between Europe and the rest of the world.

This Agreement which was to involve 500 million bushels of wheat out of possible total world exports of 750 to 800 million bushels (after a first replenishment of stocks, which will take place this year) had been agreed upon in the spring of this year under heavy pressure from the United States so to speak under the shadow of the ERP. The importing countries never liked it much, because to them it seemed to spell higher prices. It was meant to give the American farmer a satisfactory share in world wheat exports, that is, an outlet for our tremendously increased wheat production.

Before the war the United States had produced 845 million bushels of wheat and exported approximately 50 million bushels. Surpluses had been accumulating. Last year, we produced 1.36 billion bushels of wheat and this year it will be over 1.2 billion bushels. We cannot utilize more than approximately 750 million bushels domestically, therefore, we must export more. In 1947-48 we exported 480 million bushels.

The Wheat Agreement, if ratified, had guaranteed the American farmer exports of 185 million bushels. But that is not all that he would have exported. Germany will need imports of 125 million bushels and Japan 25-40 million bushels and since we are to pay for it anyway, we are going to procure it from our own harvest, too. Thus, the United States Department of Agriculture could have figured with exports of 350 million bushels of wheat and would have looked at the continuation of our high wheat production, which is the consequence of the 90% of parity price guarantee, with less apprehension than it is doing now.

Evidently, the tide has turned. The new crop estimates published on July 9, coming on top of reports of very good European crops, leaves no doubt that wheat has ceased to be a commodity in short supply (except if the Canadian crop were to be a complete failure). We will be able, if necessary, to export as much as 450 million bushels of wheat this year. If bread is to be scarce somewhere this year, it will not be because wheat is not available, but because the country in question lacks the means to buy it liberally at the prevailing high prices. Argentina has already great difficulties in making new sales at the artificially high price she is asking.

The Wheat Agreement anticipated coming surplus conditions and it wanted to protect the American farmer without whose efforts the world would have undergone unbelievable terrors in the past years. But the creators of the Agreement seem to have underestimated the difficulties which the other countries would have in paying for it, ERP or no ERP. There are certain goods which the world must buy from us, because nobody else can produce them in sufficient quantities; Corn is only produced in volume here and in Argentina and the Danubian countries and Europe needs corn for her livestock production. The world needs our cotton and our tobacco, our farm machinery, cars, tools and other machinery. But we need very little from most of these countries in exchange, and consequently we do not accept enough goods from other countries to pay for our exports. If we try to sell the world more wheat than it wants to buy from us, we are only aggravating the already difficult situation and adding to our credit balances. The ERP is meant to aid the reconstruction of Europe and to bring world trade back to normalcy. It is in the spirit of ERP that the European countries who must buy wheat should be allowed and even encouraged to buy it from those countries which need the goods which they can export. Thus, even bilateral trade agreements may have their merits for a short while.

The end of the International Wheat Agreement only precipitates the solution of a problem which otherwise would have arisen somewhat later, namely: what to do with our coming large wheat surpluses. The world has only so recently escaped from hunger—scarcity is still prevailing in many countries—that this problem seems fantastic. But it is real. For sugar, it is already here. We expect not only good wheat crops, but also good feed grain crops which will permit sizable exports. Wheat, therefore, will be used less as feed in Europe. Another year of good bread and feed crops, for which we hope, will bring the grain surplus problem into the open.

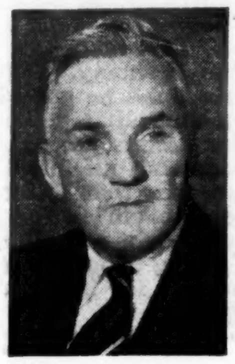
Congress has just promised the grain farmers high prices until the summer of 1950. This makes another large harvest probable. We will be able to store next year's wheat surplus if we cannot export it all. But we need soon to know how our wheat produc-

(Continued on page 29)

From Washington Ahead of the News

By CARLISLE BARGERON

On the night of the balloting at the Democratic National Convention, while Mr. Truman was enroute to Philadelphia, one of the 1,000 or more correspondents on the scene got instructions to write what was most likely going through the President's mind. What prompted him to come up and address this crowd fully 90% of whom figured he had not the slighest chance of election? What had been responsible for his doggedness in the first instance? Why didn't he accept the advice of those who had been saying, who even had been telling him that he couldn't win?



Carlisle Bargeron

The first thought, of course, is the isolated life which a President lives. Unquestionably his close advisers had been telling him that what the party leaders were saying and what he read in the newspapers was the bunk. The people love him, he has been insistently told.

But I doubt that this is the whole answer. It is my guess that he came to Philadelphia in a spirit of exultation. He had triumphed over his enemies. And who were these enemies?

They were men motivated by bitterness because he had kicked them out of the feed trough. I am not referring to the Southerners who had broken with him on philosophical grounds. The men who were most bitterly denouncing him, who were trying to produce Eisenhower, trying to produce Douglas, were men who on grounds of New Dealism should have been supporting him 100%. It was to them, indeed, that he had harkened and incurred the enmity of the Southerners.

Why, pray, should men like Leon Henderson, Jimmy Roosevelt Wilson Wyatt, Chester Bowles, Harold Ickes et al, be against Truman. He has embraced the Roosevelt program 100% and in some instances he has been far more aggressive than was Roosevelt. This is notably true on the so-called civil rights program. Roosevelt never proposed any such legislation.

If you were to ask any one of these men why he was against Truman, and if he were on guard and didn't break into profanity, he would reply that Truman couldn't win. Why? Isn't the country still "Liberal." These men insist it is. Then why wouldn't the people rally around Truman who espouses their cause?

Yet these men wanted Eisenhower about whose political philosophy they have not the slightest inkling.

The plain fact is that they are against Truman because, while embracing in word and action the Roosevelt program he has, nevertheless at one time or another, gotten rid of them. They don't enjoy the estate which they enjoyed for so long. They don't enjoy the power.

You might stretch the group to include Senators Murray of Montana, Green of Rhode Island and the ineffable Claude Pepper of Florida. They are Senators but just that. They have no access to the White House, no influence hardly save that of making a little noise and voting in the Senate.

The above named are the ones who constituted the noise at Philadelphia. They are the ones who almost in toto, aside from the Southerners, have created the impression that Truman is a dead duck. To this extent they are responsible for the Southerners' attitude because I doubt seriously that those gentlemen would be raising so much cain if they were not convinced that their party is on the way out anyhow.

So it must be a lot of satisfaction on Truman's part to know that he has beaten this gang of political has-beens. He has understood the source of their bitterness. He realizes and delights, it is my guess, in the anguish he has caused them.

He must also realize, when he listens to the honeyed words of his close advisers that this gang, in themselves, don't control any votes. They don't have any followers. His defeat, when it comes as it most surely will, will not be attributable to them. They will have had nothing to do with it.

In the meantime, one of the funniest things in the world is the story that the State Department has planted, to the effect that Truman's real reason for calling the extra session is because of the situation in Berlin. This is strictly a case of the State Department, as Jimmy Durante would say, trying to get in on the act.

I would certainly not minimize the seriousness of the situation in Berlin. And now that the thought has been put out, Mr. Truman may include it in his special message. But it is safe to say that he had nothing like this in mind when he first announced the extra session call at Philadelphia.

A. J. L. Haskell In New Bank Post

A. J. L. Haskell, formerly first agent of the Bank of Montreal in New York, has been named to the newly created post of Deputy General Manager. For the past three years he has been an Assistant General Manager at the bank's head office in Montreal.

The bank's General Manager is Gordon R. Ball who was in charge of the Bank of Montreal Agency in New York before his present appointment last year.

Aspden, Robinson Co. Have Direct Wire to N. Y.

PHILADELPHIA, PA.—Aspden, Robinson & Co., 1421 Chestnut Street, members of the Philadelphia Stock Exchange, announce the installation of a direct wire to New York—Hanover 2-4120.

What the SEC is Doing

By EDMOND M. HANRAHAN*

Chairman, Securities and Exchange Commission

Chairman Hanrahan outlines plans for simplification of form filed with Securities and Exchange Commission and adoption of a new "document rule" in relation to subscriptions to rights and warrants. Says through joint efforts of all parties, securities market has reached high peak of professional integrity.

I don't propose to hold you with any lengthy dissertation today. Competition with the pleasures afforded by Portland is too much of a task. Moreover, in these summer months, I hold to the old thesis that, after 10 minutes of talking, there is little learning or listening. Or, as I've heard it in another context, in warm weather, after ten minutes, even the Gospel gripes.

E. M. Hanrahan

Nor shall I attempt to bore you with the performance record of the Commission since your last meeting in October. Most of you are intimately interested in and familiar with the Commission's activities. If any further enlightenment on that score should be sought, I believe we can fill in the gaps during a few social sessions.

Simplification of Forms

In general, we at the Commission have been continuing to simplify the various forms used for filing under the Acts we administer. We aim to bring these to the point where they contribute most to investor information and facilitate to the greatest extent the process of registration. Simple forms, and the greatest possible material information are our objectives. With this end in mind, we are now attempting to simplify and clarify the forms and rules under the Securities Exchange Act of 1934.

There is one development, however, which I believe warrants analysis and discussion at this meeting. This pertains to a proposal for adoption of a rule to facilitate rights offerings to stockholders.

You may remember that, back in 1946, the Commission sent out to the public for comment, three proposed rules:

(1) the so-called red herring rule;

(2) the rule which would have permitted the use of summaries prior to the effective date of a registration statement, and lastly,

(3) a rule which would have permitted the use of a red herring plus a supplemental document as a definitive prospectus.

You will recall that Rule 131, the red herring rule, was adopted in December, 1946, and the other two rules were held for further consideration.

During the last few months a proposal was made that the document rule be adopted but be limited to those situations where rights or warrants to subscribe to additional securities are offered by the issuer to its stockholders.

The proposed rule would state in substance that in such rights offerings the prospectus requirements of Section 10 of the Securities Act of 1933 would be met, if the issuer should (1) send or give to its stockholders a proposed prospectus meeting the requirements of Rule 131, and (2) after the effective date of the registration statement, send or give the same stockholder a document containing the price and price related items omitted from the proposed prospectus. This document would have to incorporate the proposed prospectus by reference and be sent or given to the stockholder not more than 20 days after the proposed prospectus was sent or given.

The reasons advanced for the Rules are: (1) that it would stimulate greatly the dissemination of information concerning the proposed offering, prior to the effective date, and thus give the stockholder the essential data and time to determine whether to buy, and (2) it would resolve to a great extent the problem of mailing to stockholders a massive amount of prospectuses with the warrant on and after the effective date.

It seems to me that the rule possesses at least one definite attribute—advance dissemination of information. It has, however, certain bugs which probably can be worked out, such as the problem relative to street name certificates. For example, it might so happen that the street name would receive the proposed prospectus from the issuer and transmit it to the beneficial owner. Thereafter, the beneficial owner would sell his shares, before the effective date, to another beneficial owner under the same street name. In this case, the street name would receive from the issuer on the effective date only the document and the warrant which would be transmitted to the second beneficial owner. This result is definitely not desirable since the second beneficial owner would not receive a full prospectus. Perhaps this difficulty might be obviated by the exchanges and the NASD adopting a requirement in such cases that the nominee advise the issuer of any such transfer of beneficial ownership prior to the effective date.

There is a further bug in the rule and one with which you, as state administrators, are closely concerned, namely, the impact of the various state laws upon a distribution effected under such a rule. In those states where securities may be sold without registration there is, of course, no problem. But, in 40 or more other states, where sales are prohibited before registration and distribution of a red herring prospectus may constitute a sale—the problem is patent.

I understand that the question

(Continued on page 35)

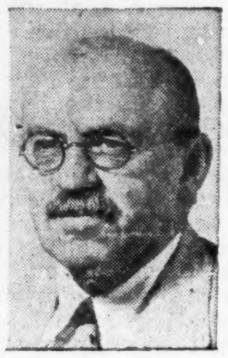
*An address by Commissioner Hanrahan before the National Association of Securities Administrators, Portland, Ore., July 19, 1948.

Management's Part in the Free Enterprise System

By HON. RALPH E. FLANDERS*
U. S. Senator from Vermont

Contending economic system, in present form, should be called "managerism" rather than "capitalism," Senator Flanders points out, as nation developed, managerial skill became of greater importance than supply of capital. Cites diversified ownership of large corporations as leading to self-perpetuating management groups who must serve interests of stockholders. Praises record of American managerial skill and ascribes our superior economic organization to managerial boldness and forethought. Lists catagories of management responsibilities.

Management is quite obviously not a modern invention. Wherever one man works for another, there is one of the two who directs the work. This is true even in such cooperative undertakings as the old-fashioned barn raisings and quilting bees, which were still current practices in my childhood days. The foreman of a barn raising was not appointed for the purpose. He might or might not be the man for whom the framework was being erected. His selection was more likely to have been made informally by common consent as the man known in the community to have judgment and qualities of leadership in erecting the framework of such a building as was required by the owner for whom the work was being done.



Ralph E. Flanders

While not quite so familiar with the organization of quilting bees, I suspect that someone must have selected the pattern and advised as to the more or less happy blending of the colors of the patchwork pieces. That a job is not done on a master-and-servant basis does not mean that there has been no leadership. It is safe to say that all work done successfully has had management somewhere, however informal and unobtrusive it may have been.

There were certainly in the farthest historic antiquity examples of management on the grand scale. Only thus could the pyramids of Egypt have been raised. Only thus could the irrigation canals of Mesopotamia have been dug in such a way as to water the earth and raise the abundant crops of that once productive region.

On this continent we are told that the Spanish conquerors of Peru found a highly organized and apparently smoothly running social organization completely managed from top to bottom. Free enterprise did not exist. Probably it would not have been understood and had not even been thought of. The nation was organized as a cohesive social community, each member of which had his task assigned.

These ancient examples, however, had little to do with the free enterprise system as we understand it. They were most certainly the result of impressed labor, probably of slave labor. In the case of ancient Peru, it appears to have been a case of a fully organized socialist state in which every citizen was bound to obey the orders of the governmental organization of which the Inca was the head.

Free Enterprise in Ancient Times

Free enterprise clearly did exist in the ancient civilizations of the Orient alongside of the great governmental undertakings. There is abundant evidence in the inscriptions on clay, on stone, and written in ink on papyrus, which makes clear a complex pattern of individual tradesmen, merchants, and farmers which served the needs of the people of those ancient days. We may take it for granted that these small groups of workers each had their manager and that the enterprise succeeded or failed in large measure as the management was good or bad. These things, however, we have to guess at, as the records are not clear.

We do get a clearer picture from the mediaeval times in Europe up to the present day. The mediaeval tradesman's undertaking was based on the relationships of master, journeyman, and apprentice, where the master was manager and owner. The complete investment was his, except as the journeyman acquired the independent tools of his trade. The master found work, sold his product, paid the wages, furnished the building, the material, and probably most of the tools.

All of this was on the whole done under free enterprise, except that royal monopolies were sometimes granted to guilds of these craftsmen for definite localities, in which case the free enterprise was sweetened by monopoly. On the whole, however, management was free, unfettered, and widely diffused in small units. It was only in later years that such families as Fuggers of Germany and the Italian merchant princes began to extend their operations over larger areas and to build up great management systems which bear some comparison with those of the present-day world.

Effect of Industrial Revolution

The Industrial Revolution, beginning in England in the mid 18th century, changed the whole structure of industry and trade. It was based on the newly invented textile machinery, though for some decades past there had been entrepreneurs who kept hand looms and weavers going up into the hundreds. The invention of the power loom, and particularly of power spinning, gave an opportunity for such enormously increased production per man-hour that the feature of management tended to become subservient to the investment of capital. Money was the main thing. The men of means in England, who saw the opportunity to invest in new machinery, could count on finding the rather moderate managerial ability necessary without having to search long or pay high salaries. Money was at a premium; managerial ability at a discount. It may be remarked that the popular present-day focusing of attention on capital and a corresponding inability to appreciate the importance of management is a holdover from these days of a century ago. We call our system "capitalism." As I will go on to show, in its present form, it might better be called "managerism."

When Capital Was in Ascendant

Capital was in the ascendant, and managerial ability in the subordinate position throughout the 19th century to the extent that the enterprises into which capital entered were new and prospects attractive. Canals, railroads, and mining developments are examples of the primary emphasis on capital. The enormous flow of capital into these enterprises throughout the 19th century resulted in the rapid development of our national domain and on the whole performed a necessary service for the opening of this great country to settlement and development. That much of this work was done without competent management and engineering, and so with consequent loss of capital in many cases, only accelerated expansion and settlement. A good case can be made for the conclusion that the heavy losses of European investors, and even of our own investors, during that period nevertheless resulted in increasing the resources and the population of this country. The less care there was in analysis, the more extensive the development.

Whether it was the first flush of the success of the newly invented textile machinery, or the building of railroads into undeveloped land, or the search for and occasional discovery of mineral riches, the first efforts and the first results came without great managerial and engineering skill. It was only as the cream was skimmed off of these initial undertakings and competition became more and more severe that the role of the manager began to increase in importance relatively to that of the supplier of capital. This change in relationship was going on throughout the 19th century.

Jones & Lamson Machine Co.—An Example

Again referring to an industry in my own town, there is evident in the history of the Jones & Lamson Machine Company the successful application of management in the expenditure and use of capital. This is an old machine tool firm whose history goes back to the 1830's. Its history is full of picturesque pioneering incident ranging all the way from Matamores, Mexico, to the first World's Fair in the Crystal Palace in London, under the benign patronage of Prince Albert. I wish I might have the time to tell you something of this story, for there is a counterpart in the adventures of industrial and engineering pioneers in a Vermont village to the adventures of youthful seamen of the New England coast fishing villages in their voyages in the clipper ships to the ports of China and India.

Suffice it to say, however, that with the end of the Civil War, a period of heavier competition and a considerable stagnation of enterprise began to appear in the machine tool industry. The simple application of capital to the industry had reached the end of its tether. It was time for capital to be rescued by management and particularly by management of the engineering type.

This Vermont village industry was fortunate enough to engage one James Hartness as its superintendent. Mr. Hartness surveyed the machine tool field, picked out that element in it which he felt to be capable of most improvement, carefully analyzed possible ways of improvement, selected one of them as having the greatest commercial possibilities, abandoned the manufacture and sale of every other size and type of machine, and made a great success of the new product. This was

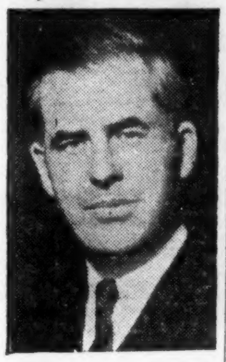
(Continued on page 34)

*An address by Senator Flanders before the Business Conference, Stanford University, Palo Alto, Cal., July 20, 1948.

Wallace Calls for Draft Repeal

Candidate of "New Party" says move should be starting point in breaking away from path set by old parties. Also wants minimum wage of $1 per hour and four million new homes in next two years.

Henry A. Wallace, former Democratic party leader and now a candidate for the Presidency of a "New Party," in speaking at a Youth Rally at Asbury Park, N. J., on July 18, urged his audience to work for the repeal of the new draft law, and, in the same address, he advocated a legal minimum wage of $1 per hour applied to all workers, young and old alike. In the course of his remarks Mr. Wallace stated:



Henry A. Wallace

"I think that we in the New Party can take some pride in the fact that the only real fight put up against the Draft Law was made by representatives of the New Party in the Congress—particularly the all-out effort of my partner-in-peace, Senator Glen Taylor.

"The debate on that Draft Law laid bare the plans of the two old parties for the young people of our country. Together they voted down a draft of capital; together they voted down restrictions on armaments profits. And together they voted down—by a gentlemen's agreement—every effort to ban discrimination and segregation in the armed forces.

"Passage of the draft made it clear that the two old parties, controlled by militarists and monopolists, prepare for war. And in a war-time economy young men and women become expendable draft numbers and anonymous figures on a chart in the Department of National Defense.

"Monopoly demands militalization. It demands profits from an arms economy. It demands that labor must be put in shackles. It demands that young people be taken from the schools and the shops and put into the Army. It demands that billions shall be spent to enrich the men of Wall Street, while millions are denied to young people for education, for housing, for health and for security.

"The starting point in our fight to break away from the path set by the old parties is to repeal the Draft. We have the chance to do this right now. A special session of Congress has been called for a week from tomorrow. The ailing Democrats intend, for election campaign purposes, to put the Republicans on the spot for doing nothing about housing, the high cost of living security—all these things about which the Democrats have also done nothing.

"Let us put both of them on the spot. Let us make them both show by their actions which path they want to carve out for the young people of this country. Let us take them both on their own ground and press the fight home.

"The first issue is to make them repeal the Draft in this special session of the Congress, make them strike off the military

(Continued on page 35)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Leading Banks and Trust Companies of New York—65th consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Market—Circular of current developments—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Market—Leaflet on current situation—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Natural Gas Industry—Detailed brochure—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

New York City Bank Stocks—Quarterly comparison of 19 stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Public Utility Operating Co. Common Stocks traded "over-the-counter"—Brief analysis and tabulation—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Railroad Developments — Leaflet of current developments in the industry—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Alaska Airlines — Data — Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

American Overseas Airlines—Analysis—Schwamm & Co., 50 Broadway, New York 4, N. Y.

Also available is an analysis of **Continental Airlines.**

Arkansas Western Gas Co.—Detailed information available to dealers and other financial institutions — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Associated Transport, Inc.—Circular—Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Atlanta Gas Light—Circular—Otis & Co., Terminal Tower, Cleveland 13, O.

Also available are data on **Central Illinois Public Service, El Paso Electric Co.,** and a review of **Public Utility Common Stocks.**

Atlas Plywood Corporation — Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Buffalo Bolt Co. — Circular — A. G. Woglom & Co., 49 Federal Street, Boston 10, Mass.

Central Illinois Public Service Co. — Circular—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Colorado Fuel & Iron Corp.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are analysis of **Food Fair Stores, Motorola, Inc.,** and a leaflet of **Railroad** news of the week.

(Continued on page 35)

Now Is the Time to Buy Common Stocks

Investment counselor gives succinct reasons why the valuation placed on good common stocks today by market is far below public's valuation of any other form of property.

A letter by Karl D. Pettit, of Karl D. Pettit & Co., Investment Managers and Counselors of New York to Knickerbocker Distributors, Inc., copies of which have been furnished to Knickerbocker Fund Shareholders as a courtesy, outlines reasons why "this is the time to buy common stocks." Mr. Pettit's letter follows:

Karl D. Pettit

"Is this the time to buy common stocks?" That question is heard on every side.

"Yes" is our answer.

All of our studies — economic, political and technical — support this conclusion. In recent weeks we have advised our clients to buy. In most of our largest portfolios we have increased importantly the percentage of common stocks.

Why?

Because such a policy is dictated by thorough re-examination of

... Economic Fundamentals
... Statistics of Production, Distribution and Consumption
... Political Conditions at Home and Abroad
... Market Action

Economic Fundamentals

(a) Population in the United States is steadily increasing (16 million growth between July 1, 1938 and July 1, 1948); great advances have been made in science, invention and technology. These developments foreshadow an expanding demand for both durable and consumer goods.

(b) The nation's money supply (total bank deposits and currency circulating outside banks) stands at $168 billion as compared to $64 billion in 1939.

(c) In only a few industries has production caught up with demand—shortages continue to rule, particularly where there are scarcities of raw materials, limited productive capacity or short labor supply.

(d) Inflationary forces still prevail as indicated by last month's Bureau of Labor Statistics consumers' price index, which stood 9.3% over a year ago, 27.9% over June, 1946 and 72.9% above August, 1939.

(e) Asset values, earnings and dividends are making all-time records, with the trend continuing up.

Statistics of Production, Distribution and Consumption

(a) The Federal Reserve Board Index of Industrial Production, which declined temporarily in April, is back again to the 192 level (1935-1939=100).

(b) Employment in non-agricultural pursuits holds above the previous peaks of 1943 while consumer purchases, as reflected by department store sales, were at a new all-time high in June.

(c) Defense Secretary Forrestal on July 7 announced that the Armed Services will place $6 billion of new orders with American industry in the next 12 months—an increase of 250% over the past year.

Political Conditions

(a) **At Home**—Public opinion polls indicate that President Truman, as Democratic nominee, will be defeated by Governor Dewey. Regardless of the outcome, however, we believe that responsible leaders of both parties will be friendly towards business as a means of maintaining high levels of employment.

(b) **Abroad**—The Berlin situation is serious and must be considered. We believe it will be settled without war.

It must also be recognized that revolutionary Communist forces have suffered set-backs in Europe—the trend is to the right.

Market Action

After a year and a half of inaction and selected buying by sophisticated investors and institutions, the market advanced beyond its base zone. (163.12—186.85 Dow Industrials.) The advance was accompanied by great breadth and the largest volume in 19 months. This action is an indication of the direction prices are likely to follow. Practically all important technical indices now point to an early resumption of the advance.

Conclusion

The valuation placed on good common stocks by the market today is far below the public's valuation of any other form of property. We advise the prompt purchase of carefully selected common stocks.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Edward H. Welch, Sincere & Co., Chicago, Secretary of the National Security Traders Association, has sent the following letter regarding the coming Convention to all members of the Association:

"Early in June your 1st Vice-President Paul Yarrow and I visited Dallas to confer with the Dallas Committee and discuss the plans and program for the 15th Annual Convention of the NSTA which will be held Nov. 15-17, 1948.

"Texas is not only a big State but they do things there in a big way and we can assure you that our Convention will be second to none and is something that you cannot afford to miss.

"Starting with the arrival of the Special Trains, Sunday afternoon, November 14th, until the Band plays 'Home Sweet Home' Wednesday night, you will find that something has been planned for each hour of the day and night. While we know that you will be renewing old acquaintances and will wish to enjoy yourself as much as possible, still time has been reserved for business and a most interesting Program of Forums and Educational meetings has been planned. The Registration Fee will be $35 for Members of the NSTA, $25 for the Ladies and $50 for Non-Members.

"A special train will leave New York and Philadelphia Friday, November 12th and one or more trains will leave Chicago, Saturday afternoon, November 13th, at 2:45 p.m., stopping at St. Louis that evening to pick up our Missouri and other members.

"The Bond Traders Club of Chicago will be Hosts for Luncheon and Cocktails for all who are passing through Chicago enroute to the Convention Saturday, November 13th.

"Sunday morning, November 14th, we will stop at Longview, Texas, for Church services and following Church our members will enjoy a two hour drive through the East Texas Oil Fields, joining the train again at Gladewater and arriving Dallas at 4 p.m.

"The New Orleans Security Traders Assn. has extended an invitation to visit New Orleans after the Convention. The Special Train will leave Dallas about 2 a.m. Thursday, November 18th, arriving New Orleans that afternoon where the train will be parked for occupancy at the Texas & Pacific Station during our stay.

"The approximate cost of the All Expense Trip which will include Round Trip Rail and Pullman, All Meals on Train, Occupancy of Pullmans in New Orleans and Transfer of Individuals and Baggage from Train to Hotel at Dallas, on the basis of two in a Compartment will be: From New York & Philadelphia, $235 each; from Chicago, $165 each. Although the All Expense cost does not include Hotel Rooms at Dallas, a reservation on the Special will insure a desirable Hotel reservation in Dallas. More details later.

"Sincerely,

"EDWARD H. WELCH, Secretary."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

New York City bank stocks have been slowly and laboriously edging upward since the first of the year, but with occasional pauses and retreats. The American Banker Index started at 37.9 on Jan. 3, 1948; it moved up to 39.4 on Jan. 20, retreated to 38.1 on Jan. 26, moved forward irregularly to 39.3 on March 5, slipped back to 38.1 on March 16, and then moved quite steadily up to 41.5 on May 17, which was the high point of the year to date. Since May 17 it has haltingly retreated to 39.9 on July 16. This level is 5.3% above that at the start of the year.

The relatively favorable reports of the banks at mid-year have been ignored by the market, the record of the American Banker Daily Index since June 30 being as follows:

	Index		Index
July 1	40.4	July 9	40.6
2	40.4	12	40.5
6	40.3	13	40.4
7	40.3	14	40.3
8	40.6	15	40.1
		16	39.9

The comparative steadiness of bank stocks is especially striking between the 14th and 16th, when they declined only 1.0% while the Dow Jones Industrials declined 2.5%.

The following table presents the current asked prices of 16 leading bank stocks, related to dividend rates, book values and earning assets. The two latter items are as reported on balance sheets dated June 30, 1948.

	Mkt. Price Asked 7/16/48	Div.	Bk. Val. 6/30/48	Earning Assets Per Share 6/30/48	Div. Yield	Bk. Val. Per $ of Market	Earning Assets Per $ of Market
Bk. of Manhattan	26⅛	$1.20	$32.73	$406.12	4.6%	$1.25	$15.55
Bk. of N.Y. & 5th Ave.	320	14.00	427.26	3,630.35	4.4	1.34	11.34
Bankers Trust	41¾	1.80	50.98	372.80	4.3	1.22	8.93
Central Hanover	92¾	4.00	122.46	1,075.14	4.3	1.32	11.59
Chase National	36⅜	1.60	43.77	448.30	4.4	1.20	12.32
Chemical Bk. & Tr.	41½	1.80	43.84	433.62	4.3	1.06	10.45
Commercial	42	2.00	59.52	431.61	4.8	1.42	10.28
Corn Exchange	56¾	2.80	59.18	761.34	4.9	1.04	13.42
First National	1,370	80.00	1,369.56	5,690.82	5.8	1.00	4.15
Guaranty Trust	274	12.00	363.85	2,097.33	4.4	1.33	7.65
Irving Trust	17¼	0.80	23.10	164.60	4.6	1.34	9.54
Manufacturers Tr.	52¼	2.40	61.42	800.01	4.6	1.18	15.31
*National City	40¼	1.60	48.93	580.39	4.0	1.22	14.42
New York Trust	88¾	4.00	108.46	828.49	4.5	1.22	9.34
Public National	40¾	2.00	55.58	744.92	4.9	1.36	18.28
U. S. Trust	585	35.00	733.17	2,999.60	6.0	1.25	5.13
AVERAGE					4.7%	$1.23	$11.11

*Includes City Bank Farmers Trust.

On average, an investors' dollar will produce a dividend yield of 4.7%, a book value of $1.24 and earning assets of $11.11.

Highest dividend yield is the 6.0% of United States Trust, while the lowest is the 4.0% of National City. First National provides $1.00 of book-value per dollar, while Commercial National provides $1.42. Public National has $18.28 of earning assets per dollar of asked price, while First National has only $4.15.

In 1947 aggregate net operating profits of the 16 banks exclusive of security profits and recoveries, represented a return of 0.63% on aggregate earning assets calculated as of the middle of the year. Individually, however, there were marked differences between the banks, varying between 1.26% in the case of First National and 0.50% for Bank of Manhattan, with an average of 0.71%.

The following tabulation shows the net return for each of the 16 banks in 1947; also, the net return of six months net operating results in 1948 on earning assets calculated as of June 30, 1948, computed at an annual rate, on the assumption that the second half of the year will duplicate earnings of the first half.

	1948 Net Oper. Earnings or Indicated				1947	
	Earn. Assets Per Share June 30	First Six Months	Year (Proj't'd)	Return from Earn. Assets	Net Oper. Earn. or Indic'd	Return on Earn. Assets
Bk. of Manhattan	$406.12	$1.38	$2.76	0.68%	$2.06	0.50%
Bk. of New York	3,630.35	----	----	-----	21.88	0.55
Bankers Trust	372.80	1.63	3.26	0.87	3.00	0.77
Central Hanover	1,075.14	3.00	6.00	0.56	6.68	0.60
Chase National	448.30	1.27	2.54	0.57	2.51	0.51
Chemical Bk. & Tr.	433.62	1.46	2.92	0.67	2.61	0.68
Commercial	431.61	1.71	3.42	0.79	3.66	0.75
Corn Exchange	761.34	2.45	4.90	0.64	5.03	0.62
First National	5,690.82	42.10	84.20	1.48	85.82	1.26
Guaranty Trust	2,097.33	8.32	16.64	0.79	17.42	0.79
Irving Trust	164.60	0.60	1.20	0.73	1.26	0.72
Manufacturers	800.01	2.59	5.18	0.65	4.72	0.57
*National City	580.39	1.58	3.16	0.54	3.25	0.52
New York Trust	828.49	3.14	6.28	0.76	6.54	0.75
Public National	744.92	2.33	4.66	0.63	4.25	0.53
U. S. Trust	2,999.60	18.85	37.70	1.26	36.56	1.22
AVERAGE				†0.76%		0.71%

*Includes City Bank Farmers Trust. †Excludes Bank of New York & Fifth Ave.

This table, which shows an average net return for 1948 on earning assets of 0.76%, may not be too far out of line, for the trend in rate of return has been moderately upward since the low year of 1945 when it was 0.58%. Since then the average has increased to 0.68% in 1946 and 0.71% in 1947.

Doing Business Under European Recovery Program

By A. M. STRONG*

Vice-President, American National Bank & Trust Co. of Chicago

Prominent Chicago banker outlines practical aspects of private participation in European Recovery Program. Holds private enterprise can handle business more efficiently and less expensively than communized, socialized or government controlled agencies, and lists methods of procedure by which payments from ECA are to be made to U. S. exporters for goods shipped to nations participating in relief and recovery program. Concludes doing business under ECA will not be as simple as ordinary business, but expresses hope private enterprise will be allowed to participate to maximum extent.

The European Recovery Program is now in full operation. Authorizations for purchases are being issued daily by the Economic Cooperation Administration for a variety of products. Until the last week of June such authorizations exceeded $750 million, $654 million for goods and $76 million for transportation. Relief goods such as grains, foodstuffs, tobacco, medicines, etc., amounted to approximately 50% of all authorizations. Agricultural and industrial equipment amounted to only $10 million or about 1½% of the total authorizations. While the Program is aimed at rebuilding the agricultural and industrial enterprises of the participating countries, so far requirements for such equipment were evidently negligible.

A. M. Strong

Of the $730 million of authorizations, $188 million were for purchases by United States Government agencies and $542 million by participating countries, their agents and private importers. It may be safely assumed that the greatest bulk of the commodities will be purchased by foreign government agencies.

Place of Private Enterprise

Private enterprise, however, is slated to play an important part in the European Recovery Program. The Foreign Assistance Act of 1948 stipulates that in providing for the performance of any of the functions under the aid program (procurement, processing and transporting) an Administrator shall, to the maximum extent, utilize private channels of trade.

In a joint statement issued on May 6, 1948, by the European Cooperation Administration and the U. S. Department of Commerce, it was emphasized that American exporters will continue to do business in the same way as in the past. All arrangements for soliciting of the orders, for export and import licenses and for payment for individual shipments will be initiated and carried out by the private exporter in the United States and the importer in Europe. Only certain bulk food products such as grains, flour, fats and oils and a small volume of relief supplies such as drugs, etc., will be purchased by the United States Government and shipped direct to European governments. Mr. Paul G. Hoffman, the Administrator, reiterated on numerous occasions that private enterprise will handle the ECA transactions.

I should like to observe that whether purchases are made by private importers or government agencies, the American manufacturers and producers will be the sellers. However, one of the basic reasons for our European Aid Program is to help the nations of Western Europe to maintain a democratic form of government and private enterprise and to stop the spread of ideologies that advocate government control over production and distribution. The Economic Cooperation Administration must, therefore, reduce the participation of U. S. and foreign government agencies in the operation of the Program to the very minimum. We cannot advocate and sponsor the ideology of private enterprise and not practice it in our public undertakings. There is no doubt in my mind that private enterprise can handle business more efficiently and less expensively than communized, socialized, nationalized or government controlled enterprises.

A healthy sign is the recent announcement by the Economic Cooperation Administration of its endeavors to return wheat exports to private trade channels in time to handle fall shipments. A similar declaration by the French Food Mission in the United States that except in special cases all procurement of food authorized by the ECA will move through private trade channels is also encouraging.

Getting Business Under ECA

How should a manufacturer go about getting business under the ECA program? As you undoubtedly know, overall schedules of Western European requirements were prepared in April. These schedules list $13,565 million in commodities to be purchased in the Western Hemisphere by the participating countries between April 1, 1948 and June 30, 1949. Of this total, $6,605 million will be financed from sources other than ECA funds. These schedules are being reviewed by the ECA and the representatives of the 16 participating nations and revisions are being made as necessary. It is apparent that the Western European nations will have a sizable amount of dollars in addition to the ECA funds to spend for their purchases in this hemisphere.

The ECA program will not only stimulate business with Western Europe but will increase the supply of dollars in Latin America, Africa and other parts of the world. It will provide an opportunity for American manufacturers to resume the sale of their products in markets developed through years of promotion and to establish new markets. The major obstacle to American foreign trade—the lack of dollars abroad—will be reduced.

The American manufacturer or exporter cannot expect that the business will come to him without an effort; he must go after it. He must embark upon an active selling campaign and intensify his solicitations through his established channels. His distributors and representatives should approach old customers and scan the markets for new prospects.

A major share of this business is still handled by U. S. Government agencies and by foreign purchasing missions. They will continue to do the buying for some time to come—for a long time if no effort is made by private industry to get them out of this business. The Commodity Credit Corporation is in charge of government procurement of foods. The Federal Bureau of Supply purchases miscellaneous items and the Army and the Navy are handling purchases for occupied areas and for China, Trieste and Greece. Foreign purchasing missions will continue government-to-government transactions and will purchase goods for nationalized industries. As you know, there are quite a number of nationalized industries in Western Europe, particularly in England and France. It is quite obvious that the American manufacturer must also approach our own government agencies and foreign purchasing missions. Lists of such agencies and missions can be obtained from the Office of International Trade, U. S. Department of Commerce.

Methods of Payments for Exports

How will the American exporter be paid for his sales? ECA Regulation No. 1 issued on May 15, 1948 provides three methods of payment.

The first method is reimbursement to a participating country for payments made by it. Under this method, foreign governments will purchase goods approved by the ECA with their own funds and later obtain reimbursement from the Administrator. The American exporter will be paid by the foreign government and he will have no concern about subsequent reimbursement by the ECA.

The second method is the issuance by the ECA of a Letter of Commitment to a banking institution in the United States. The banking institution will be designated by the foreign buyer in accordance with instructions of the American exporter.

The third method is a Letter of Commitment by the ECA to a supplier promising payment for commodities or services.

When a Letter of Commitment is issued to a banking institution the bank will issue a Letter of Credit to the American supplier and pay him upon presentation of shipping and other documents. The supplier will handle the transaction in the same manner as he handles regular shipments under a bank's Letter of Credit excepting that he will be required to submit additional documents and affidavits. After paying the supplier, the bank will be reimbursed by the ECA.

There is a provision in ECA Regulation No. 1 that the Administrator cannot cancel his Letter of Commitment to a bank if the bank has already made a payment thereunder or if the bank has issued an irrevocable Letter of Credit to the supplier. I wish to emphasize this point since no such provision is contained in the Letter of Commitment to a supplier.

The Letter of Commitment to a supplier is a promise by the ECA to pay the supplier upon the shipment of the stipulated goods and upon presentation of the required documents. The Letter of Commitment will be issued in two forms: for single payments and for multiple payments. In the case of multiple payments, the Administrator will require a bond in the amount of any advance. The Letter of Commitment may be assigned to a bank.

There is no provision in the

(Continued on page 30)

*An address by Mr. Strong at a luncheon sponsored by the Illinois Manufacturers' Association, Chicago, Ill., July 16, 1948.

AMERICAN CAR AND FOUNDRY COMPANY

FORTY-NINTH ANNUAL REPORT—YEAR ENDED APRIL 30, 1948

To the Stockholders:

Your Management submits the annexed statements — Consolidated Balance Sheet, Income Account and Statement of Earned Surplus (prepared and certified, as usual, by independent auditors)—showing the result of the operations of your Company and its subsidiaries for the fiscal year ended April 30, 1948 and their condition at the close of that period.

As shown, the Net Earnings for the year —this after all charges, including depreciation and Federal, State and local taxes— amounted to $4,103,951.81.

The Preferred shares of the Company are non-cumulative. Under the provisions of the Company's charter, as such provisions have been construed by the Courts of New Jersey, under the laws of which state the Company is incorporated, the holders of Preferred shares are entitled each year out of that year's earnings calculated on a non-consolidated basis, to such amount, by way of dividends, as are warranted by the year's earnings, up to seven per cent of the par amount of such shares, before there may be paid on Common shares any dividend out of the earnings of such year.

Out of the earnings for the fiscal year closed April 30, 1948, there have already been declared on our Preferred shares three dividends each of one and three-quarters per cent. Inasmuch as the year's earnings warrant the payment on such shares of the full seven per cent dividend for the year, it is expected that there shortly will be declared a fourth dividend, also of one and three-quarters per cent, on the Preferred shares, thus making the full seven per cent for the year—and that coincident with such declaration there will be declared a dividend on our Common shares then outstanding.

At the close of the year, your Company and its subsidiaries had business on their books having a dollar value of somewhat more than two hundred and eighty millions —an amount greater than at any previous time in your Company's history, except, of course, the so-called "war years."

In the ordinary course of events, and with the facilities and organization available, the handling of this vast amount of business would present but little difficulty to your Company. But, unfortunately, we have been hampered, and still are being hampered, by numerous difficulties in obtaining the full quantity of basic materials needed for our manufacturing operations. These difficulties are being experienced by other concerns in the same line of industry.

What was said in the letter accompanying the report for our preceding fiscal year is applicable to the conditions now existing and therefore may with propriety be here repeated, *viz.*:

"The railroads are keenly alive to the necessity of increasing and improving the amount and the quality of their rolling stock to meet the current and prospective demands upon their capability for the adequate handling of the products of the commerce and industry of the country, and are making strenuous efforts to that end. In such efforts your Company is cooperating to the fullest extent of its ability, but is still hampered by the difficulty of obtaining from its suppliers the full quantity of the basic and other materials needed in its manufacturing operations.

"This condition—on the one hand, the vast amount of business on our books, necessitating the accumulating, as available, of the diverse materials needed for its production, and, on the other, the difficulty of procuring the flow of such materials in the sequence and quantity as needed for the normal and orderly progress of our manufacturing activities—accounts for the size of our inventory and the need of the bank loan shown on the balance sheet —inventory items being payable by us on receipt, while we must wait for our payment until the completion of the particular work for which such items are needed."

The conditions as outlined above of necessity demanded substantial borrowings from banks, and these borrowings are reflected in the Balance Sheet of this year's report. Arrangements have been made for additional borrowings should circumstances so demand. Substantially all of the inventories of your Company are purchased for, and allocated to specific orders placed with it by its customers. Therefore, as an order is completed and delivered to the customer, the inventory pertaining to it is automatically liquidated. From this will be seen that our borrowings are a purely normal procedure under present conditions and are self-liquidating as each order is consummated.

Operations of subsidiary companies during the fiscal year were satisfactory, especially during the second six months' period. Prospects for the carburetors and similar items manufactured by Carter Carburetor Corporation and for the leasing of tank cars by Shippers' Car Line Corporation are expected to further justify the policy of diversification represented by these two subsidiaries.

Despite present handicaps, there is reason for continued optimism concerning the railroad equipment industry. The demand for railroad equipment continues unabated, and the backlog of ordinary replacements is substantial. Merely to overcome the deterioration in rolling stock caused by World War II has created an unusual demand by the railroads, and it is reasonable to expect that for some years to come the railroads will continue to be in the market for both passenger and freight equipment.

Your Company's facilities for the production of railroad equipment have been kept in excellent condition and in many cases these facilities have been greatly improved during the past fiscal year. ACF's plants have been highly modernized and have won praise from leading railroads because of the advanced techniques now employed. The radical change-over in freight car building from the old-fashioned riveting process to the new all-welded technique and assembly-line methods is not only solving many existing problems of production but is proving extremely helpful in simplifying the training of technical personnel. In this development your Company maintains an alert and active Research and Development Department to keep it in the vanguard of progress.

The latest fiscal year has shown various indications of improvement in the over-all situation. Although conditions of unease and unrest prevailed in many industries, it is the belief of your Management that the Taft-Hartley Law will prove to be beneficial if wisely handled. Your Management's policy is, and has been, not to use the Taft-Hartley Law, or any other law, in such a way as to imperil your Company's relations with the unions and employees. This policy has resulted in better understanding with personnel and a seemingly increased awareness of responsibility on the part of union people. All of the so-called "portal to portal" suits which were referred to in this Company's last Annual Report have been discontinued except one suit against Carter Carburetor Corporation, and in this suit your Management is of the opinion that possibility of liability is rather remote.

During the year, Malcolm S. Mackay resigned as a member of your Board of Directors and William F. Van Deventer was elected to succeed him. James A. Farrell, Jr. was elected a member of the Board to fill the vacancy caused by the resignation of R. A. Williams. Newly elected officers of the Company include R. Furrer as Vice President in Charge of Engineering and Research in place of E. D. Campbell, retired, and F. H. Norton as Vice President in Charge of Sales, succeeding R. A. Williams, who resigned during March, 1948.

Your Management is only too glad to express, at this point, its high appreciation of the loyal and efficient service rendered by each and every individual in the organization. Their devotion to the interests of the Company and its stockholders has been paramount, as is evidenced on all sides. Such constant cooperation and willingness to serve the best interests of your Company is indeed a cause for gratitude in an epoch of uncertainty and changing conditions.

The nation is undergoing the inevitable and typical disturbances and doubts of a Presidential election year. The foreign situation can at best be described as enigmatic, and subject to any man's doubts or prognostications. The Marshall Plan has not yet been sufficiently developed to warrant any firm conclusions as to its effects on business in general or our business in particular. Your Management nevertheless faces the future with confidence, in that careful planning is being conducted to prepare for all foreseeable contingencies as events develop. To be forewarned is to be forearmed, as the old saying goes. In this important aspect of administration it is safe to say that your Company will not be found deficient. Our nation is in a state of flux such as rarely has been encountered during its history, but it is a state of flux which should more than ever challenge men of vision, imagination and enterprise. You can be assured that your Company is moving ahead with the times.

For the Board of Directors:

Respectfully submitted,

CHARLES J. HARDY,
Chairman of the Board

July 1, 1948

CONSOLIDATED BALANCE SHEET APRIL 30, 1948

ASSETS

PLANT AND PROPERTY ACCOUNT (See Note 1):			
Land and Improvements		$ 7,107,347.75	
Buildings, Machinery and Equipment	$105,369,747.05		
Less: Amortization and Reserve for Depreciation	53,237,261.12	52,132,485.93	
Intangibles		18,889,456.67	$78,129,290.35
CURRENT ASSETS:			
Cash in banks and on hand		$ 7,609,574.00	
U. S. Government Securities at cost (Quoted market value $834,070.31)		844,281.26	
Accounts Receivable, less reserve		15,150,190.42	
Accrued Unbilled Escalation Charges (estimated)		1,614,893.96	
Notes Receivable, less reserve (includes $480,113.37 maturing subsequent to one year)		789,731.81	
Inventories at cost or less, and not in excess of present market prices		67,910,972.58	
Marketable Securities, at cost or less (Quoted market value $1,992,312.63)		1,923,761.72	95,843,405.75
PREPAID TAXES, INSURANCE, AND LIKE ITEMS			748,133.08
MISCELLANEOUS SECURITIES, less reserve			103,564.34
			$174,824,393.52

Note 1: Plant and Property of Parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of Subsidiary Companies are included at cost.

LIABILITIES

CAPITAL STOCK:		
Preferred: Authorized and issued 300,000 shares—par value $100.00 per share	$30,000,000.00	
Less: 10,550 shares of Treasury Stock	1,055,000.00	$28,945,000.00
Common: Authorized and issued 600,000 shares—no par value	$30,000,000.00	
Less: 600 shares of Treasury Stock	30,000.00	29,970,000.00
CURRENT LIABILITIES:		
Bills Payable—Banks	$21,875,000.00	
Accounts Payable and Payrolls	18,524,090.69	
Provision for Federal, State and Local Taxes	4,426,683.21	
Advance payments received on sales contracts	1,068,794.64	
Sinking Fund requirements due within one year under indentures securing debenture issues of Shippers' Car Line Corporation	685,000.00	46,379,568.54
SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY:		
3% DUE APRIL 1, 1961	$ 4,475,000.00	
3% DUE JULY 1, 1962	3,300,000.00	
3¼% DUE APRIL 1, 1963	2,340,000.00	10,115,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY		7,347.38
RESERVE ACCOUNTS:		
For Employees' Welfare Plan (See Note 2)	$ 4,700,037.81	
For Contingencies	8,795,988.40	
For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors	735,744.74	14,231,770.95
CAPITAL SURPLUS:		
Excess of acquired equities over cost of investment in consolidated subsidiary	$ 2,397,790.63	
Excess of par (or stated) value of Treasury Stock over cost of acquisition	551,600.25	2,949,390.88
EARNED SURPLUS ACCOUNT, See Statement		42,226,315.77
		$174,824,393.52

Note 2: The Reserve for Employees' Welfare Plan has, during the year, been charged with the net amount (after tax benefits) of $258,688.31 on account of employees' retirement cost applicable to past services.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales and Car Rentals, less discounts and allowances		$131,360,756.25
Cost of Operations, including Administrative, Selling and General Expense, but before Depreciation		121,003,720.44
		$ 10,357,035.81
Depreciation		3,215,668.72
Earnings from Operations		$ 7,141,367.09
Other Income:		
Dividends	$ 114,830.93	
Interest	434,068.64	
Royalties	63,938.78	
Profit on Sale of Securities	439.65	
Miscellaneous	32,466.30	645,744.30
		$ 7,787,111.39
Other Charges:		
Interest	$ 554,572.58	
Royalties	342,076.67	
Property Retirements	226,021.04	
Miscellaneous	124,893.83	1,247,564.12
Net Earnings before Provision for Federal Income Taxes		$ 6,539,547.27
Deduct—Provision for Federal Income Taxes (See Note 1)		2,435,595.46
Net Earnings Carried to Surplus		$ 4,103,951.81

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

TO THE STOCKHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY,
30 CHURCH STREET, NEW YORK CITY

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its subsidiaries as of April 30, 1948, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As the result of a change in cost accounting methods, certain engineering costs, which in prior years were considered as general and administrative expenses, have in the current year been treated as direct charges to production costs. Accordingly, costs of $1,539,346.33 representing engineering expenses have been included in closing inventory of work in process with a resultant increase of approximately $950,000.00 in net earnings after Income Taxes.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated position of the American Car and Foundry Company and its subsidiaries at April 30, 1948, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied (except as stated above in respect to the treatment of engineering costs) on a basis consistent with that of the preceding year.

ERNEST W. BELL AND COMPANY

July 1, 1948

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1947		$41,946,713.96
Add: Net Earnings for year		4,103,951.81
		$46,050,665.77
Deduct: Dividends paid during the year on capital stock publicly held, viz.:		
On Preferred, $3.50 per share from earnings for year ended April 30, 1947 and $3.50 per share from earnings for year ended April 30, 1948	$ 2,026,150.00	
On Common, $3.00 per share	1,798,200.00	3,824,350.00
Balance, April 30, 1948		$42,226,315.77

Note 1: Federal taxes are shown before tax benefit of $158,828.29 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been applied as a reduction in the charge to said reserve.

Note 2: Since the prior service cost under the Employees' Welfare Plan has not been fully funded, the unfunded portion is increased each year by the actuarially required interest on such unfunded portion. The amount of such interest on the unfunded prior service cost would, if currently paid, amount (after income taxes) to approximately $101,000.00 for the fiscal year ended April 30, 1948.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The fourth article in this series was written by Mr. Emerson W. Axe, President of Axe-Houghton Funds and head of E. W. Axe & Co., investment counsellors. Mr. Axe has been in the investment counsel business for a number of years and believes that the mutual fund salesman should stress management in offering such shares.

Mutual Fund Assets Reach $1,597,000,000

As of June 30, net assets of 81 leading mutual funds hit a new high of $1,597,000,000, up 13½% since the first of the year. Of the $188,000,000 gain in assets, some $72,500,000 was the result of increased net sales with the balance due to appreciation of portfolio holdings.

Gross sales during the first half of 1948 amounted to $139,000,000, as compared with $136,000,000 during the same period last year. However, increased liquidations, particularly in bond, industry group, and specialty funds, reduced net sales to $72,500,000, off $22,500,000 from the first six months of 1947.

Liquidations in the above-mentioned groups amounted to 90% of sales during the first half of this year, as compared with an over-all ratio of 48% for liquidation to total sales.

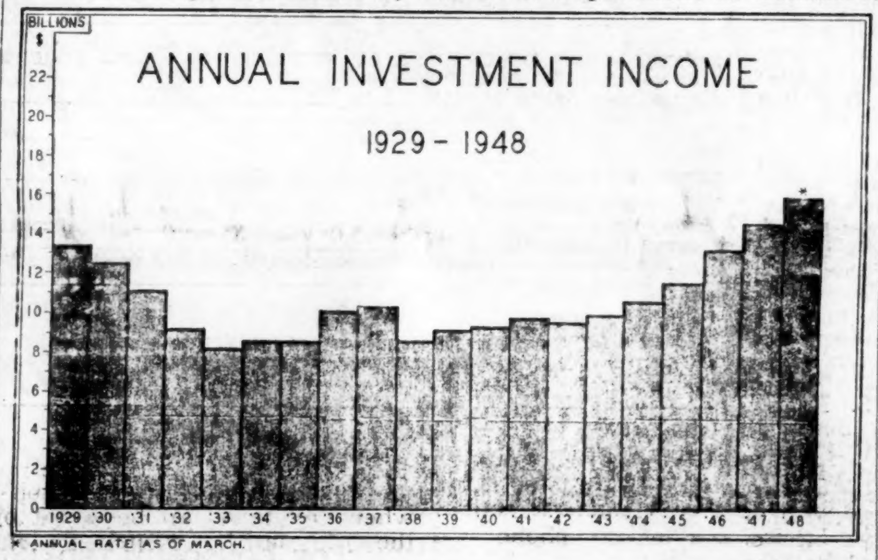
The increased ratio of liquidations to sales should be a matter of considerable concern to the business as it probably reflects, in part, improper selling by or insufficient training of retail salesmen. While sales managers are more interested in sales than they are concerned over repurchases, every $1,000 of liquidations cancels out a $1,000 of sales and retards growth of assets by the same amount. In our opinion, if the business is to attain its maximum growth, more stress should be laid on making sales "for keeps."

Investor Income at Record High

"Keynotes," published by the **Keystone Company of Boston** has the following to say about interest and dividend income:

"American investors are getting more income from dividends and interest in 1948 than ever before.

"Latest figures released by the U. S. Department of Commerce



* ANNUAL RATE AS OF MARCH.

show this type of income to be running at an annual rate of $16 billion, as of March this year. This is the highest figure recorded—more than 20% over 1929, nearly 100% over the low year 1933 and 3% over 1947, the previous record high.

"As for the remainder of the year, the Federal Reserve Board has recently stated that from their studies business profits and cash dividends are expected to continue higher than 1947 levels throughout 1948."

Bucolic Bonanza

The current issue of **Calvin Bullock's** "Perspective" discusses the agricultural outlook and makes interesting reading. The following paragraphs are excerpts:

"In any attempts to analyze the outlook for general business it behooves the crystal ball gazer to give serious consideration to the current and future status of our great farm population. It is pretty generally recognized that our prevailing high level of general business activity is due in no small measure to the prosperity which most farmers are enjoying—and have, in fact, been enjoying for several years past.

"The subject of farm prosperity has been so well advertised that it would appear to require little documentation. The picture of what has been happening can be pretty simply pointed up by the table below which shows figures for cash receipts from farm marketings (including government payments) and figures for net farm income for the period 1939-1947. In order to correlate the agricultural picture with changes in the over-all economy we have also included figures for national income.

	Cash Farm Receipts (Billion Dollars)	Net Farm Income (Billion Dollars)	National Income (Billion Dollars)
1939	8.6	4.5	72.5
1940	9.1	4.9	81.3
1941	11.7	6.9	103.8
1942	16.0	10.6	136.4
1943	20.0	11.8	168.2
1944	20.6	12.3	182.2
1945	21.5	13.4	182.8
1946	24.7	15.2	178.2
1947	30.5	17.0	202.6

"Thus, while national income during the last eight years has expanded by approximately 180%, cash farm receipts have increased by 254% and net farm income by 278%. This surely is prosperity with a vengeance.

"In summary, we might refer to a forecast made in December 1947 by the Bureau of Agricultural Economics which prophesied that the market for farm products would stay strong for another year and that farmers' prices and gross income in 1948 would average near those of 1947. On the basis of available evidence we see no present reason for disagreeing with this forecast. The agricultural production outlook is good. The demand factor is strong and is at least temporarily being reinforced by the E. C. A. program. Agricultural prices are high—in some instances perhaps dangerously high. As far back as July, 1947 this publication stated that 'There are many reasons for believing that a moderate decline in the general commodity price level would be a healthy correction of the uprush which has followed the removal of price control.' Thus far, except for a brief period of softness in February, this correction has not materialized. We might feel surer of the soundness of our economy if an orderly price readjustment had by now made its appearance. One prediction in which we feel utterly confident is that whatever develops in the agricultural picture, the farmer will continue to receive the solicitous attention of our legislative bodies."

If I Were a Retail Salesman

(Fourth of a Series)

By EMERSON W. AXE

President, Axe-Houghton Funds

President, E. W. Axe & Co.

Past experience has shown that securities are the best long-term investment available to the investor. Even an average list of securities is likely to show appreciably better results, over a period of years, than rental property, retail stores, farm land, or other alternative investments.

Emerson W. Axe

But for the nonprofessional direct investment in securities, and especially common stocks, has many pitfalls. He is faced not only with the problem of the selection of individual securities but also that of the proper proportion of different types of securities under different sets of conditions. In fact, over the years, a non-professional following his own ideas is likely to do far worse than an average of representative common stocks. In order to select securities well it is necessary to follow several thousand companies, at least 50 or 60 industries, and the whole complex mechanism of the general economic and political situation both in this country and abroad. Merely to maintain the necessary system of statistical and other factual reports, to say nothing of interpreting them, is beyond the resources of any but the largest investors.

Professional management is therefore absolutely essential. Management must, moreover, be unbiased—particularly it must have no financial interest that will interfere with obtaining the best possible results for the investment funds it guides. Investment counsel is the best management of this type.

For the investor with a fund of less than $100,000 about the only way competent investment counsel can be obtained is through shares in investment funds. Over the past 10 or 20 years the best managed investment funds have done appreciably better than general averages of common stocks or other securities and it is reasonable to believe that results in the future will continue to show a margin of superiority. But the investor in funds must keep in mind that he is buying **management**—not a fixed list of securities. And he must judge the management of different funds by the quality of their research work, the soundness of the investment principles they follow, and their record over a long period of years.

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made July 19 by Charles R. Dunn New York, fiscal agent for the banks. The financing consisted of $20,105,000 1.55% consolidated debentures dated Aug. 2, 1948 and due May 2, 1949. The issue was placed at par. Of the proceeds $20,000,000 will be used to retire a like amount of debentures maturing Aug. 2 and the balance of $105,000 is new money. As of Aug 2, 1948, the total amount of debentures to be outstanding will amount to $541,575,000.

Thomas Cherry With F. S. Smithers & Co.

F. S. Smithers & Co., 115 Broadway, New York City, members of the New York Stock Exchange and New York Curb Exchange, announce the association with the firm of Thomas C. Cherry. Previous associations of Mr. Cherry include Lazard Freres & Co., and Reynolds & Co.

Youngclaus 50 Years in Investment Business

CHICAGO, ILL. — William P. Youngclaus, Vice - President of Rogers & Tracy, Inc., 120 South LaSalle Street, completed 50 years in the securities business this week.

Beginning his financial career in Boston, Mass., Mr. Youngclaus has been with Rogers & Tracy, Inc., for 12 years.

Securities Business—Is It a Profession?

By FERDINAND G. SMOLA

Investment Securities, Omaha, Neb.

Mr. Smola, though holding there is no harm in calling or considering intricate web of securities financing as a profession, since distinction between business and profession is slight and based on convention or custom, stresses importance of advice and service rather than margin between cost and selling price as contributing toward giving professional status to securities business.

This has been a subject I pondered with affectionate concern for all the time I have been in the securities business. The first time it came forcibly to my attention was when I called on one of my clients, an M. D., a poor prospect, indeed, but a fine man in every way.

Ferdinand G. Smola

Somewhat jealous of his distinctly professional standing as a physician, I didn't mind his slight innuendoes which placed me outside of his sacred ground, and, rather, identified me with other merchants of wares, but I felt that through the eyes of this eye-doctor securities dealers were not viewed by the world at large as much more than peddlers. My academic background bore lightly on the thing I was engaged in, yet I couldn't understand why the world was down on the poor fellow who was honestly and sincerely trying to make it rich. I recognized the failures big interests brought to bear on the willing shoulders of the small fry, and I reflected deeply on the portent of all the regulations by official authorities which were cast to correct all evil in the securities business. Frankly, there were dark moments in my life when my thoughts turned to all the fortunate people who did not sell securities and were fit to live their lives as free men do—if not with the feeling of innocence, then at least without the burden of guilt.

But let's get on with the doctor. He had a nephew, a fine lad, just about to graduate from a college. Having no children of his own he was very devoted to the cause of having this boy make a success in life, but feeling somewhat doubtful that it could be accomplished. So he asked me questioningly, "Do you place much value on college education?" Having never been proud of it, I said, "Why, no." He continued, "You know, I sometimes think that having just normal education is better. Such people do things, while the educated man spends too much time hesitating and does no good." I said, "Yes, the fellow just doesn't know any better. There is only one answer for him and that is yes. Now you take you and me. You are a doctor; I am a college graduate. We both know the value of critical analysis and so what happens? I sit here trying to sell you something and don't sell, and you are sitting there trying to buy something and you don't buy." We both laughed. "I tell you, Doctor," I continued, "the situation is even more complicated because I have a job selling; you are merely the fellow who buys. Yet, in my opinion, whether I sell or not, my intention is to give you advice and service—same as you would if we talked about my health instead of talking about your money. The curse is that our professional attitude is not appreciated, and the fact remains that it is constantly confused with merchandizing approach. I wish it

(Continued on page 31)

Sees Growing Preference for Fixed Value Assets

Federal Reserve Bulletin, in third article on Survey of Consumer Finances, reports great majority of spending units have increased bank deposits and government bondholdings for greater safety and liquidity. Says there is fear real estate prices are too high and common stocks are held least attractive of liquid assets.

The July issue of the "Federal Reserve Bulletin," published by the Board of Governors of the Federal Reserve System, contains the third article on "1948 Survey of Consumer Financing," analyzing consumer ownership and use of liquid and non-liquid assets. In this article, prepared by Duncan McC. Holthausen of the Federal Reserve Board's Division of Research and Statistics, the relative amounts of stocks and bonds (other than U. S. bonds) held by consumer spending units is estimated, and preferences for various types of assets analyzed. According to the survey:

D. McC. Holthausen

"In early 1948 the great majority of spending units indicated that they preferred assets with fixed value (bank deposits and Government bonds) to assets with changing value (real estate and securities). This preference, given in replies of spending units with incomes of $2,000 or more, was a repetition of the preference expressed in the two previous years.

"Even in the group having incomes of $7,500 or more, a definite preference for assets of fixed value was expressed by at least two-thirds of the spending units. About one-fourth of this group expressed a preference for having all or at least part of the holdings in assets of changing value. About one-tenth of the spending units with incomes of $2,000 to $5,000 indicated that they preferred assets of changing value or a combination of assets of fixed and changing value.

"Although the 1948 data on preferences for various types of assets are not strictly comparable with information available for earlier years, there do not appear to have been any significant changes in the indicated preferences of spending units between early 1947 and early 1948. Government bonds were still given preference over bank deposits, and among spending units that preferred assets of changing value, real estate was mentioned most frequently. Between 1946 and 1947, however, there had been a significant shift in preferences

(Continued on page 31)

The Increased Cost of Corporate Living

By L. E. WILSON*

President, Everite Pump & Manufacturing Co., Inc.

After citing items of increased cost of doing business, Mr. Wilson lists as challenge to small business survival: (1) high labor costs due to union pressures and feather-bedding; (2) high cost of equipment; (3) strikes; and (4) miscellaneous operating outlays. Sees some relief in further tax reductions, national debt decrease, better labor laws to curb unions, restoration of peace economy throughout world, and, above all, increase in output.

In an effort to state the problem of Increased Cost of Corporate Living, and to narrow it to a reasonably complete presentation during the allotted time, I have concluded to deal principally with the era of the past 20 years, that is from 1928 to the present time, and to endeavor to cover as much corporate and economic territory as time and available facts will permit, and to rely as little as possible upon figures and percentages, because they can be extremely boring and sleep provoking at this early morning hour. It is impossible to get all of the increased cost factors down, but here are quite a number in the list that follows:

L. E. Wilson

Time-and-a-half for overtime beyond 40 hours for those subject to the Fair Labor Standard Acts or Wage & Hour or Walsh-Healy Bills.

Social Security and Old Age Employment Insurance.

Accident, Health & Hospitalization Insurance—not mandatory, but presently insisted upon by the major unions as "fringe benefits."

In the same category are pension and annuity plans.

Paid vacations and paid (but unworked) holidays.

Increased cost of fuel oil and coal, for example:

1939 our fuel oil cost was $.055 per gallon.

1948 our fuel oil cost is $.126 per gallon.

1939 our coal cost was $8.25 per ton for anthracite.

1948 our coal cost is $16.25 per ton, and on the basis of the new contracts will go higher.

Excise tax on telephone and telegraph messages.

Wage rate increases.

Salary increases.

*An address by Mr. Wilson before the Annual Meeting of the National Small Business Men's Association, Chicago, Ill., June 29, 1948.

Increased cost of equipment—Warner & Swasey 1A turret lathe, for example—Mr. Stilwell, President, advises me that this bare machine sold in 1924 for $2,490. He listed also other prices and others years on this machine as follows:

Year	Amount
1926	$2,800
1929	3,150
1932	3,370
1937	5,295
1941	5,950
1946	6,490
1947	7,990
Present	10,450

He was most anxious to point out that increased knowledge acquired over a period of time by metallurgists, mechanical engineers, and production engineers, has been built into the product. Further, that the present $10,450 machine has about three times the productive capacity of the 1924-$2,490 machine, with attendant longer life before replacement or rebuilding. He points out, also, the inadequacy of present depreciation rates, about which there will be more to say later. He explains that a man buying the $10,450 machine today may not be saving any more hours in percentage compared with his previous method or with the old machine being replaced; but, whereas in 1924 he was dealing with an hour worth $1.75, he is today dealing with an hour worth $4.50 to $5.00. "In other words," he says, "we are not only dealing with a 60 cent dollar, but we are dealing with costs that are inflated from other causes as well, which altogether make up a very much higher cost per hour. Therefore, there is a greater economy when any time can be saved by the installation of new equipment." It is this industrial know-how that has enabled business to keep pace with rising costs up to now.

The next item on the list of Increased Costs of Corporate Living includes increased tax rates for local, state and Federal purposes. Everyone of you is so well posted upon this point from personal experience that further enlargement seems to me to be unnecessary.

Feather-bedding costs on our railroads, building and other industries are responsible for considerably increased costs. It has been advocated recently that the Railway Labor Act of 1926 should be modernized to permit government injunction as the Taft-Hartley Bill provides, where public health and safety are threatened. Forty-four working rule changes are demanded by the RR. unions to provide for, (1) more pay for little or no work; (2) subterfuge to increase pay; and (3) devices to increase work.

For instance, employees demand a whole day's pay for a few minutes work by one craft, and a penalty of a whole day's pay for the craft not used. This applies to road men or yard men who do some incidental work.

"If more than one engine is used, the new rules would require double pay for the men that were engaged or extra pay for those who do not work. Or, for doing a few minues work before or after the shift, the new rules would require an entire day's pay at the overtime rate, or 1½ times the regular rate. Then 15 minutes would be paid the equivalent of 12 hours. An engineer may not flag nor throw a switch, but an additional trainman must be carried even though there is only one job for the entire trip. Some rules are subterfuges to increase pay. The wage rate on the local freight trains is the highest in effect. Trainmen wish to raise all services to the local freight level, except through service.

Some Fantastic Results

"On some of the fast trains the monthly pay would be fantastic so the working days are reduced For example, between Chicago and Fort Wayne, Indiana, engineers and firemen work 16 hours for 49¼ hours' pay, or 3.02 days pay for 1 day's work. Between

(Continued on page 26)

Parliament Approves ERP Pact

By PAUL EINZIG

Dr. Einzig asserts pact between U. S. and Britain, implementing ERP aid, was endorsed by practically whole of both Labor and Conservative Parties, but "with heavy hearts." Says general feeling in London is that pact is a necessary evil, but there is genuine desire to cooperate to make it work, despite misgivings regarding interpretations.

LONDON, ENGLAND.—The bilateral pact on ERP aid was approved by the House of Commons after a two days' debate, and was duly signed by the Foreign Secretary an hour after the resolution in favor of its ratification was passed by an overwhelming majority.

Dr. Paul Einzig

The outcome of the debate was always a foregone conclusion. Indeed, when a Minister, in the course of a conversation in the Lobby with a critic of the pact, claimed credit for the Government's democratic methods in abstaining from signing the agreement until it was approved by Parliament, the critic remarked: "It reminds me of the story of a man arrested in one of the totalitarian countries, whose jailer sought to comfort him by telling him that he will have a fair trial before his execution." Such display of bitter feeling was, however, exceptional. On the whole, opposition to the pact was not unduly aggressive, even though there was ample criticism.

The agreement was endorsed by practically the whole of the Labor Party, and by a large majority of the Conservative Party. They endorsed it, however, with heavy hearts. Socialists were worried about the possibility of the United States securing through the pact considerable influence affecting the Labor Government's economic policies. Conservatives were worried about the humiliating terms on which assistance is granted, and about the possibility of a weakening of British economic influence in the Colonies as a result of American penetration under the terms of the pact. Everybody was worried about the fact that three years after the termination of the hostilities Britain depends on American assistance for the maintenance of her standard of living and production. There was also a feeling of uneasiness on account of the vague character of many of the terms. The negotiation of detailed understandings with the United States for the application of the various provisions is awaited, therefore, with great interest.

As far as the possibility of American pressure in favor of a devaluation of sterling is concerned, the Chancellor of the Exchequer has succeeded in reassuring his supporters. He is understood to have said at a Party meeting that rather than submit to such pressure he would prefer to renounce any further benefits from the Marshall Plan. He is known to have given most emphatic assurances to Dominion Governments that there is no question of a devaluation of sterling. The sudden appreciation of the pound on the Paris black market is believed to be due in part to the realization that, after all, a devaluation is not imminent.

The absence of any further commitments for the elimination or reduction of Imperial Preference was welcomed with relief. This, together with the absence of any provisions tending to weaken the Sterling Area arrangement, was responsible for the conversion of many critics, or at any rate for their decision to abstain from opposing the agreement actively. Some half dozen members of the Imperialist wing of the Conservative Party did come out in active opposition, and, together with a few Communists and Communist sympathizers, voted against it. The overwhelming majority of the Conservative Party was satisfied, however, that the degree of American penetration into the British Colonies provided for in the pact cuts both ways, for while it may tend to reduce British influence it means that the United States will have a vested interest in the British Empire. It is recalled that thanks to the American penetration into the Middle East in recent years, the defense of that part of the world has become a joint American-British affair, instead of being a purely British burden and responsibility.

The general feeling in London is that the pact is a necessary evil, and its terms have to be accepted in good grace. There is a genuine desire to cooperate wholeheartedly in the task of making it work. This atmosphere of goodwill, resulting from the fact that the more extreme conditions originally demanded by the United States have been dropped or toned down, would disappear, however, if the American interpretation of the various clauses should be found to differ fundamentally from the British interpretation. All depends on the outcome of the discussions on the terms of the loan part of Mashall aid, on the details of stockpiling purchases, on the agreement concerning the use of the sterling equivalent of Marshall aid, and on many similar questions. Pending any further information on these subjects, all but the most hostile critics have decided to abstain from continuing their campaign against the Marshall Plan.

Nothing could of course alter the attitude of the political Left-Wing opposition to the pact. Their influence, however, has weakened considerably as a result of the international political tension. Should their forecasts about a very harsh American interpretation, and about the likelihood of Congress stiffening the terms next year, prove correct their prestige and the camp of their followers would increase considerably.

Ralph R. Smith With Newhard, Cook & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Ralph R. Smith has become associated with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and St. Louis Stock Exchanges. Mr. Smith was formerly with Fusz-Schmelzle & Co. and prior thereto was with the St. Louis Union Trust Co.

Ralph R. Smith

Canadian Securities

By WILLIAM J. McKAY

The Bank of Canada has just issued its latest survey of Canadian corporation profits covering the year 1947. The study covers 411 Canadian companies and is a continuation of similar studies made by the Bank since 1935. According to a summary of the survey the net income to stockholders of Canadian companies was 38.8% higher than in 1946, 68.0% higher than in 1945, 63.7% higher than its 1939 level and over double (103.7% above) its 1936 level. This result was achieved after paying income and excess profits taxes in 1947 of 23.1% above the 1946 figure and of nearly 4.9 times the 1939 tax figure and of 6.8 times the 1936 tax amount.

All groups of companies did not participate in the same general trend.

The most striking drop in net income is shown by gold mining companies whose net income has dropped in each year since 1939. During war years this was largely as a result of the forced curtailment of their operations due to labor shortage. But since the war it has been due to rising costs and the loss of the 10% exchange premium on U. S. dollars. Their 1947 net income to stockholders of $5.8 million was only 77% of the 1946 figure of $7.5 million and only 21% of the 1939 figure of $28.1 million.

The largest percentage drop in 1947 net income as compared with 1946 was shown by the seven grain elevator companies. Their 1947 net income to stockholders of $600,000 was only 66⅔% of the 1946 figure of $900,000 but was three times the 1939 level of $200,000. A cause of the drop in their net income is attributed to the smaller storage charges due to the lesser amount of grain held in storage and the smaller crop.

The biggest gain in net income to shareholders was shown by the 19 pulp and paper companies whose 1947 net income to stockholders of $47.6 million is 69% higher than the 1946 level of $28.2 million, and nearly 14½ times the 1939 level of $3.3 million.

One factor not indicated by the study is the extent to which 1947 net operating profit included profit from inventories as a result of the rising price level. To the extent that this type of profit is included it will be a non-recurring profit and consequently would likely affect 1948 results as compared with 1947.

Incidentally, it might be remarked that the Parliamentary Price Committee of Canada, which recently issued its report suggesting very limited price controls, recommended that the Canadian Government consider the immediate appointment of a Commission to investigate price structures and the factors leading to price and cost increases and increased profit margins. The Committee also recommended enforcing a uniform accounting system for business corporations and a revision of the Companies Act to provide for a more complete disclosure of information about inventory reserves deducted in determining corporate profits.

Schram Warns of Debt Financing

President of N. Y. S. E. says more equity financing could come from readjustment of taxes on business.

Addressing the Convention of the Association of Securities Administrators on July 19 at Portland, Ore., Emil Schram, President of the New York Stock Exchange, repeated the warning already sounded by him on previous occasions that American business needs more investment capital of the equity type and that the trend toward over-creation of long-term debt was unsound and dangerous.

Emil Schram

"There is a great need for equity capital," Mr. Schram said. "We are drifting dangerously close to overfinancing by the unsound debt and borrow basis. We can correct this by a realistic readjustment of taxes on business."

The changes recommended by Mr. Schram included drastic readjustment of the present capital gains tax.

Diamond Match Notes Placed Privately

The Diamond Match Co., it was announced July 16, has placed privately through Kuhn, Loeb & Co., an issue of $10,000,000 3% notes due May 1, 1968.

Joins Gunn, Carey & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Sidney Weisberg is now with Gunn, Carey & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

Shannon With Robt. Baird

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — Robert W. Shannon has become associated with Robert W. Baird & Co., 110 East Wisconsin Avenue, members of the New York Stock Exchange.

Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—John B. Bunting and Harry C. Shipley have become affiliated with A. M. Kidder & Co., Florida National Bank Building.

Philadelphia Reserve Bank Previews Business Prospects in Last Half of 1948

Holding though we seem to be headed for another turn of inflation spiral institution points out prospective increases in production are greater than prospective demand. Looks for further expansion of credit and money supply. Lists anti-inflation proposals.

The July issue of "The Business Review," published by the Federal Reserve Bank of Philadelphia, analyzes both present and prospective business conditions and, after noting present boom indication, warns "real danger is in allowing ourselves to slip into the comfortable belief that we have entered a 'new area' in which the only direction we can go is up."

Regarding the prospects for the second half of 1948, the Bank's publication states:

"As long as prices are rising rapidly it can not be said that we have attained economic balance. Prices generally are still rising, including the prices of some of the things that are alleged to be in abundance.

"As we enter the second half of 1948 we are confronted with great obstacles in achieving economic balance; in fact, we seem to be headed for another turn of the inflation spiral.

"A high level of business activity is feeding a huge stream of spending power into the hands of individuals, reinforced by consumer credit and by a $5 billion tax cut. We are already committed to heavy rearmament expenditures and continued aid to friendly nations. We still have a long way to go to meet our housing requirements, industries have not completed their plant expansion and modernization programs, public utilities are behind schedule in expanding their facilities, and numerous public works programs are just getting under way.

"It is important to observe the order of magnitude of increases in expenditure over last year. Consumer expenditures are currently running about 10% higher than last year and there is every indication that consumers will continue to increase their expenditures during the remainder of this year. Construction expenditures so far this year are in the neighborhood of 40% above last year's. Businessmen estimate their expenditures for plant and equipment will be 15% higher. Government expenditures are also larger despite recent efforts to economize.

"Prospective increases in production do not appear to equal the prospective increases in demand. Practically the entire available labor force is already employed and virtually all of our productive resources are already in use. Additional increases in the flow of goods and services during the remainder of the year will be gradual. If by increased efficiency and the use of new plant, industrial production is increased by about 5%, we will have done well. Last year, total physical output rose an estimated 7% above the year before. It is unlikely that we can exceed that record by very much.

"Admittedly, this is a much simplified approach to the problem. Although it is not possible to make a precise calculation, it appears that the present tendency for demand to exceed supply will persist and force prices still higher.

"The fact that the general price

(Continued on page 31)

U. S. Chamber of Commerce Opposes New Economic Controls; Suggests Restraints

National trade group takes issue with President Truman on need of authority for reimposition of rationing and price and wage controls. Offers program of voluntary restraint.

The Chamber of Commerce of the United States on July 18 issued a statement in opposition to President Truman's proposal for standby authority to reintroduce rationing, price and wage controls and other measures directed at curbing inflation.

"Government intervention in the form of direct economic controls will hinder, not help, production, so badly needed at this time," said the Chamber in a statement which added, "To impose controls before the need for them is evident—as in the case of war—would be a mistake."

The Chamber's statement, authorized by its Board of Directors, advanced four measures for voluntary action looking to the checking of inflationary forces. They are:

(1) Restraint on the part of the country's economic segments in advancement of wages and prices.

(2) Development by the Government of a monetary policy capable of controlling inflation.

(3) Reduction of Federal, State and local governmental expenditures.

(4) Encouragement of individual savings and discouragement of an over-expansion of credit.

"The Chamber believes," said the statement, "that the disadvantage, both long and short-range, arising from the reimposition of controls, would far outweigh any immediate advantages. Among these disadvantages are the inefficiencies and obstacles which central control imposes upon the production and distribution of goods and services, the difficulties of creating an efficient and effective control agency in a reasonable period of time, and the difficulties presented by American traditions to the enforcement of policies inconsistent with the long run objectives of a free enterprise system.

"In fact, price and ration controls broke down long before Congress abolished OPA. In May 1946, the Bureau of Labor Statistics stated that 85% of the stores had no veal, more than four-fifths were without pork loins, ham or bacon and that almost 7 out of 10 had no beef or lamb. The meat cutters' union at the same time said government regulations of the meat industry were unenforceable and that impossible regulations were building up an army of meat bootleggers.

"Within one month's time after the death of OPA, employment in the meat packing industry jumped from 93,000 to 163,000; and two months later it had increased to about normal levels of 180,000 workers.

"In October, 1946, the President said in a statement that the Government had considered going out to farms and ranges to seize cattle for slaughter, but it was decided that it would be an impractical move. In the same statement the President said another remedy proposed was the seizure of the packing plants. He said that proposal was turned down as useless because the packing houses were empty.

"Let us not assert that price controls were abolished too soon.

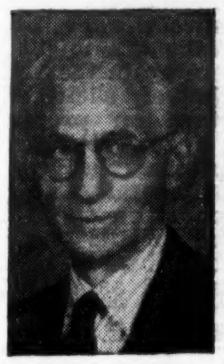
(Continued on page 39)

Inconsistencies of British Economic Policy

By A. M. SAKOLSKI

Dr. Sakolski, commenting on British policy regarding labor, production and taxation, points out inconsistency of endeavoring to increase output and capital investment while at the same time enforcing measures that destroy or impair individual incentives.

Britain's economic plight is undoubtedly largely the result of her stupendous war effort. But Britain's economic recovery, or rather lack of it, is the fruit of her present Labor Government policies. Notwithstanding the substantial aid received from the United States and the hullabaloo regarding increased British home production and exports, there is as yet not the least prospect that the precarious economic situation of the British people is being remedied. The adverse balance of payments persists. Production, with but few exceptions, lags behind expectations and in many items has not reattained prewar levels. And without additional U. S. funds under ERP, it is acknowledged, even by the leaders of the Labor Party, the British economy faces a collapse.



A. M. Sakolski

Much dependence has been placed by British Government leaders on voluntary cooperation of both the working population and industry in increasing productivity. As stated in the closing paragraph of the well advertised British White Paper, "Economic Survey for 1948":

"Perhaps the outstanding lesson of the experiment hitherto made in democratic planning in this country, apart from the limitations imposed by dependence on foreign trade, is the importance of the voluntary co-operation of the individual with the plan set by the central authorities. In the matter of industrial productivity, for instance, the Government can encourage, but it cannot compel. Productivity per head is bound to be one of the most important factors in determining the year's results; and it depends on a number of factors such as the supply of materials and equipment; improvement of design; redeployment of labor; and efficiency of management. But the skill and effort of the individual are also obviously vital. Much will depend, therefore, on the individual's voluntary response."

But what has the Labor Government done to encourage the requested "individual's voluntary response"? Has it offered any incentives either to the workers or to the capitalists? And, if so, what? True, in the recent budget proposals, Sir Stafford Cripps has relieved the worker of some of the burden of taxation. But, in the same measure, he clamps on a capital levy in such a way as to "soak the rich," and leave them only the more profitable alternative of withdrawing their capital from investments and keeping their wealth in cash. This certainly does not increase productivity or employment. In fact it seems to be the overt policy of the Labor Government to kill individual incentives, and thereby possibly make it easier and less costly to socialize all industry. In this way, Britain can readily and without excitement become a full-fledged Socialist State—as hidebound and as fully entrenched as the present Soviet Government.

Killing Incentive by Taxation

It was a theory of David Hume, the Eighteenth Century English philosopher, that taxation could be levied in a way to encourage greater effort on the part of the public to work harder and produce more wealth. But present day British taxation and socialistic philosophy, even if it has the same objective, certainly does not produce this effect. A writer in the April issue of "Lloyds Bank Review," S. P. Chambers, clearly points this out in a thoroughgoing discussion of "Taxation and Incentives." Speaking of present day British taxation, he says:

"It is, no doubt, possible to exaggerate the short-term effect of taxation on the efforts made by workers in industry, and, indeed, the direct evidence may be inconclusive. It is the long term and unmeasurable effects which are more serious. It is the steady sapping of the vital urge to work and to work hard which is the real tragedy of the high rates of taxation at the present time. Hard work was both a virtue and a necessity in Victorian times; today the individual necessity to work has very largely been taken away, and the virtue of work is almost as unfashionable as that of thrift.

"It is unfortunate that today high rates of tax conspire with social security to sap the will to work. Nobody in their senses denies the great benefits of a modicum of social security to prevent the misery of unemployment, or of poverty through sickness. But high taxation accompanying a high level of social security leaves the reward of virtue terribly small because it reduces almost to vanishing point the margin of comfort between lazy acceptance of the gifts of social security and that of good hard work accompanied by honest saving. The subsidization of the elementary needs of life works in the same direction. As the cost of social security and of subsidies comes out of taxation, every time the tax burden is increased for these purposes there is added a double disincentive to work.

"From the angle of incentive to work a reduction of income tax is clearly superior to a reduction of indirect taxation. Indeed, for some people high indirect taxes may even be a spur to harder work because a larger income is required to pay for the things which they are in the habit of having but which now cost more. This argument is valid for a limited number of people only, and even for them it has strict limitations; there is a point at which extra leisure becomes more valu-

(Continued on page 32)

Railroad Securities

Along with the rest of the market the railroad stocks took a beating at the beginning of the week. Except psychologically this is difficult to understand or explain away. There are two general excuses given for the sharp decline in security prices during this past week. One is the deteriorating foreign situation and the other is the possible implications of the impending special session of Congress. It is difficult to see how the special session of Congress could be detrimental to the railroads. As a matter of fact, any action likely to be taken would, if anything, be calculated to improve the status of the railroads, at least in relation to other industries. It is true that a war at this time might well wreck our whole economy, as well as that of the rest of the world, but this could hardly be accepted as a valid reason for exchanging stocks for cash.

As is usual in such a market as has developed, the selling has been indiscriminate, with no recognition as to the relative merits or relative investment strength of the individual industry or individual company. As a matter of fact, in many instances the most attractive securities have been subjected to the greatest pressure and have received the least support. It is apparently the old proposition of people liquidating the sound securities in which they still have profits rather than selling the questionable securities in which they may have little, or no, profits. Naturally, this affords an excellent opportunity for the well informed investor to pick up some real bargains, both from the point of view of earning power and well protected dividend income.

By the middle of the day on Monday, Union Pacific split stock had declined more than seven and a half points, equivalent to more than 15 points on the old stock. It was an hour and a half before Atchison, Topeka & Santa Fe even opened and by one o'clock it was down to 110. It was offered there with no nearby bids. Southern Pacific was selling at 54½, off about four points since last week's close and some eight points below the year's high established just a short time before. The speculative phenomenon of the year, Denver & Rio Grande Western, broke five points in the morning session. These are just a few examples of what a mere change in sentiment can do. Actually, it is obvious that the intrinsic values of these securities did not change so drastically in such a short space of time.

All in all, the outlook for the railroads is favorable in the opinion of most analysts, and the potentialities for their stocks are viewed as more favorable than for most of the major industries. There is a possibility that legislation may be passed for allocating materials and imposing other restrictions to expedite an armament program. So long as steel, for instance, is produced in heavy volume such allocations or rationing would not adversely affect the carriers. They get the volume of raw and finished products tonnage in any event. It is probable, moreover, that any such program, in postponing the satisfaction of the present civilian demand, would further extend the period of potentially unusually high traffic volume.

There is a possibility that as one move in controlling the inflationary spiral, and as a necessary accompaniment to price and wage controls, some nature of excess profits tax might be reimposed. Here again the railroads are in a relatively sheltered position. The return on property investment even under present boom conditions is relatively small. While not generally in a vulnerable position with respect to a possible excess profits tax, the railroads would benefit if such a tax were imposed as a part of a general program to control wage and material costs.

Present railroad stock prices bear no relation to estimated 1948 earnings, the liberal dividend returns, nor the prospects that the period of high traffic appears likely to last for a further extended period. Regardless of intermediate term price fluctuations, and even if such swings are very wide as at the beginning of this week, there appears to be ample support for a highly constructive attitude toward this group.

Talcott, Potter & Co Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Donald J. Whalen has joined the staff of Talcott, Potter & Co., 231 South La Salle Street.

Securities Salesman's Corner

By JOHN DUTTON

Some years ago there was a salesman who called upon the savings banks in the smaller towns throughout the country. He sold a service which could be used by them in promoting increased deposits. Year after year and month after month this salesman so far outstripped everyone else in his company's sales organization that even his employers were unable to understand why his production was so much higher than anyone else. But this salesman never told his secret. Time and again his firm would try to worm out of him just how he did it—but he wouldn't tell.

Finally, one day the head of his firm took him out to lunch and under the influence of an extra persuader or two in the form of something slightly alcoholic he broke down and confessed how he was able to bring in so much more business than anyone else. When you read the rest of this column you may be impressed with the fact once again, that everything that has merit has to be SOLD. In acceptance of the realities of life we must admit that most people act EMOTIONALLY, even though they like to believe that they rely upon their judgment in most instances. Selling securities should be a cold, realistic approach to the reasoning power of the investor. Despite the contention of the SEC that people should be told all the facts, everyone who knows anything about the way securities are bought, also knows that not more than one in a hundred investors WANT TO KNOW THE FACTS. So if you have some good stocks or bonds that you want to sell—stop, look and listen to the way this fellow sold his bank service—you may get an idea from it.

His firm would supply him with reply cards which they received from their advertising. These cards were the usual sort of thing that interested prospects would use to inquire for more information regarding the service which they had to offer. This salesman would take his supply of cards, and when he went into a town instead of calling upon the first prospect that had evidenced interest in his proposition he would go into the leading store and start a conversation with the owner. He would ask about the various industries in the town, then he would lead up to the banking business. He would ask which was the largest bank, the most aggressive, and the second and third in this respect, etc. He would also find out the name of the cashier or acting manager of the SECOND largest bank, not the first. Then he would go into that bank and ask for the party who he knew in advance was the real operating head of the organization. The receptionist would usually ask if he had an appointment and of course he would reply that he did not have one. But he would say that he had an inquiry from Mr. So and So and that he had come to see him. The receptionist would relay his message and the curiosity of the bank manager would usually prompt him to come out and say that he did not know of any inquiry which they had made. Then our salesman would pull out his reply cards and start to go over them. With a look of surprise and humility he would say, "Oh, I am so sorry, Mr. Cashier, I am wrong, you see this is an inquiry from the bank down the street, Mr. X at the First National." With this he would slowly start to turn away and he would once again apologize for bothering his now very curious prospect. In most instances as he started to turn away the banker would say, "Wait a minute, what is this service you say the First National has inquired about?" From there on you can imagine what happened. With the first bank sold this fellow would then go to see his first prospect that originally inquired about the service. He would often sell them just because he convinced them that if the second largest bank in the city was going to use a service to increase business that they too had better get busy. He had four different services all put out by the same company. Sometimes he would sell three banks in the same town a different service. Of course, this is the type of selling which is based upon the ability to "act." This salesman had his approach so well perfected that he knew every little point which was necessary in arousing the curiosity, competitive spirit and the fear that one bank would be missing something (to another) if they did not look at what he had to offer.

Trick selling such as this has little to recommend it when it comes to building up a clientele of satisfied investors. But there are times when you not only have to lead a horse to water but also make him drink, and unless you know human nature you'll have a hard time selling Treasury Bonds even on a 5% basis.

Public Utility Securities

Long Island Lighting

Long Island Lighting is in one of the fastest growing residential areas in the country, but the company is over-capitalized and nothing has been paid on preferred and common stocks for over a decade. The same is true of the principal subsidiaries, Queens Borough Gas & Electric and Nassau & Suffolk Lighting. (Kings County Lighting, a third subsidiary, is being separately recapitalized, with Long Island losing voting control.)

While the company is both an operating and holding company, originally it did not consider itself subject to SEC jurisdiction, since operations are intrastate. Because of preferred arrears, a plan of recapitalization was approved by stockholders early in 1944. This plan would have reduced the par value of the preferred stocks, and "frozen" the amount of arrears; the preferred would also have received some new common, and the old common was to be scaled down. Following approval by the New York PSC late in 1944, the company immediately filed amended articles of incorporation, thus technically putting the plan in operation.

Meanwhile, however, a committee of preferred stockholders appealed to the SEC to assume jurisdiction, on the ground that the company was subject to the Holding Company Act. The SEC brought action in the Federal Courts to restrain the company from adopting the plan, but the appeal was rejected by both the District Court and the Appeals Court. It was then taken to the Supreme Court, but in the meantime the company had decided to register with the SEC as a holding company, which in effect nullified court proceedings. Thereafter both commissions claimed jurisdiction.

During the court proceedings referred to above the transfer books had been closed, and trading in the company's stocks was made difficult; this was finally remedied by issuing certificates of deposit for all stocks, and these are still being traded in in place of the original shares.

A second plan was filed with both commissions in October 1945. This provided for merger of Long Island with its subsidiaries (except Kings County). The preferred stocks of the three companies would receive varying amounts of new preferred and/or common stocks, with the old common getting less than two shares for each hundred old shares. This was finally disapproved by the PSC in September 1947; the commission favored wiping out the common stock altogether, and wanted an all-common recapitalization.

A third plan was filed early in 1948, intended to meet substantially the objections of the New York Commission. The common stock would be paid off with 35¢ a share cash, receiving no new common. Long Beach Gas (a subsidiary of Queens Borough) was dropped from the merger. The preferred stocks of the three companies would receive only new common.

A pro forma income statement for the year 1947 indicates earnings of 81¢ a share on the 2,417,000 shares of new common to be issued under the latest plan. This was before a "reservation of net income for sinking fund" amounting to 30¢ a share (ordered by the PSC some time ago because of the unbalanced capital structure). The duction eliminated on completion of the plan. Assuming that this can be done and that pro forma earnings may be adjusted upward for the net rate increase received in February this year, share earnings for the new common stock would approximate $1.06. Assuming that 75¢ could be paid in dividends the stock might sell initially around 10, and perhaps after "seasoning" and further growth, at 12. On this basis potential future "break-up" value for the old preferred stocks might be as follows compared with current prices:

	No. Shrs. New Com.	Est. Market Value at 10	Est. Market Value at 12	Recent App. Price
Long Island—				
7% preferred	8.7	87	104	55
6% preferred	7.7	77	92	49
Queens 6% pfd.	4.3	43	52	35
Nassau 7% pfd.	3.7	37	44	38

The amended plan of consolidation is being opposed by certain preferred stockholders. Their objection appears based on the grounds that inclusion of the subsidiary companies would require the assumption by the consolidated corporation of heavy debt, and that the earnings would not permit necessary financing.

Long Island Lighting has for some years been financing largely through the medium of insurance companies. None of its bonds are held by the public. The company now has a heavy construction program underway, including a new electric station at Port Jefferson. $13 million bank loans were incurred in 1947 and early 1948 for construction needs, but in February all but $1 million were retired through sale of $12 million 3% bonds due 1958 to insurance companies. In June the company proposed to borrow $8 million from the banks. This was opposed before the SEC by W. C. Langley, investment banker and chairman of a preferred stock committee. Instead, Mr. Langley favored issuance of new preferred stock (though it is difficult to see how this could be done promptly enough to take care of present cash needs).

The Langley committee is opposed to the merger with subsidiaries, and favors distribution to the preferred stockholders of the voting power in the subsidiaries. A common stockholders' committee (with headquarters in Washington, D. C.) is also opposing the plan, seeking to obtain new common stock instead of the 35¢ cash payment. The common is currently selling on the Curb around 5/8 or 62¢.

Two With Fahnestock

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Seymour Page and Richard Warren have become associated with Fahnestock & Co., 75 Pearl Street.

Joins H. C. Robinson Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — William R. Murray is with Henry C. Robinson & Company, Inc., 9 Lewis Street.

With Link, Gorman & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Einar Graff and Raymond F. Martini are with Link, Gorman & Co., 208 South La Salle Street.

King Merritt Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Jack E. Barth and Edward B. Taff are with King Merritt & Co., 408 Olive Street.

The ERP Agreements—A New International Era

By ERNEST A. GROSS*

Legal Adviser, Department of State

Holding system of bilateral agreements under European Recovery Program will introduce a new era in our relations with Europe and can be the means for genuine economic cooperation and recovery, State Department spokesman lauds aid program as instrument of world stability. Outlines commitments of participating nations, and stresses promoting internal monetary and financial stabilization.

It is fitting that an Association of lawyers which sponsored the European Recovery Program prior to its adoption by the Congress, should be the first to hold public discussion of a vital phase of the Program now about to get under way. Certainly, the expenditure of billions and the provision of a vast tonnage of supplies moving across the seas is thought of, by many of our citizens, as the whole of "The Marshall Plan." A giant market, with some goods marked "free" and others "loan," although frightening by its size, makes a ready mental image. But the ERP is a Recovery Program, not a grocery business. And the spending of billions, and the moving of supplies through unending pipelines of warehouses and ships is not unprecedented: it has happened on an unimaginable scale twice in our own lifetime, but the objective each time was Victory in War, not Recovery in Peace.

Ernest A. Gross

The vital phase of the Program now about to get under way, to which I have referred, is the system of bilateral Agreements which next week will introduce a new era in our relations with Europe. These Agreements, unique in the history of dealings between modern states, can be the machine for genuine economic cooperation and recovery, or they can be the instruments of deep international rancor and friction. It is for this reason that the problems these Agreements will create should be discussed candidly now, and that they should be discussed by lawyers, trained to the legal tradition of interpreting agreements in the light of their objectives and applying the rule of reason and the common-sense test of good faith.

The Agreement between the United States and each participating European country crystallizes the basic purpose of the Program: we shall help European nations to help themselves to recovery in such a way as to become independent of outside assistance. Lest there be any misunderstanding of the sincerity of our professed objective in this regard, each Agreement explicitly sets this forth at the very outset. In solemn covenant between ourselves and each sovereign European participant, we thus refute the charge frequently made by opponents of the Program, and keynoted by the declaration adopted at the first meeting of the Cominform that the Marshall Plan is but the European subsection of a general United States plan for global expansion.

The Agreements crystallize the conditions of our assistance as well as the purpose of the Program. The legislation itself provides that the continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among the participating countries. But "cooperation" is a rubbery yardstick, as the usages of police states makes clear. Hence, the democratic governments, genuinely desirous of finding effective measures of self-help and mutual aid in order to achieve recovery, met together and exchanged pledges among each other, which were embodied in the historic Report of the Committee for European Economic Cooperation, September, 1947.

Organization for European Cooperation

However, the United States was neither a member of the European Committee nor a party to its reciprocal pledges. That Committee, and its successor, the Organization for European Economic Cooperation, has been and will remain an organization of European countries dedicated to "*close and lasting cooperation*" as well as to the immediate task of developing and carrying out a joint recovery program. I use italic, as well as quote, the phrase "close and lasting cooperation," from the Charter of the Organization.

It will be apparent that although the Organization for European Economic Cooperation could be born and even perhaps, survive, as an organ of lasting European cooperation without temporary United States economic assistance, it could not possibly serve its essential immediate purpose of accomplishing a recovery program without the ingredients for European recovery. The dollar transfusion is no more act of charity: it is a gift of life itself. More than that, as the Senate Committee on Foreign Relations said in its Report, "free institutions and genuine independence cannot perish in Europe and be secure in the rest of the world."

But the American people—all of us — are tired of generalities, sceptical of slogans, and above all, fed up with rathole relief. The Executive branch of the government in submitting the Program and the Legislative branch in approving it insisted, in the words of the House Committee on Foreign Affairs that "primary emphasis" must be placed "on encouraging the participating nations to help themselves and each

(Continued on page 29)

*An address by Mr. Gross before the New York State Bar Association's Midsummer Meeting, Lake Placid, N. Y., July 2, 1948.

Hum Drum, Everyday Facts

"United States Steel is greatly concerned over the ever-increasing cost of producing steel. It tried last April to aid in halting these continuing increases in costs, but failed to accomplish its aim.

Benjamin F. Fairless

"Coal costs, which play an important part in the cost of producing steel, have recently increased substantially. Railroad freight rates have gone up four times since Jan. 1, 1947.

"More than four tons of raw materials must be assembled to produce a single ton of steel, so transportation costs are of real importance in steel-making. These four freight increases have added many millions of dollars to the freight charges on the 80 million tons of raw materials required annually by United States Steel.

* * *

"Now follows a further very substantial direct increase in our employment costs as a result of the new wage and salary increases by our steel-producing subsidiaries, on top of the higher costs in our coal operations.

"United States Steel can only pay these increased production costs out of the money it receives from the sale of its products."—Benjamin F. Fairless, President, United States Steel Corp.

Simple truths, simply told! And as vital and as pervasive!

Yet what politician in this political year has ventured to refer to them?

Holds Proved Reserves of Natural Gas Will Last Thirty Years

Says discoveries of new fields are expected to boost future supplies.

Nearly 27 cubic miles, or about 4.4 trillion cubic feet of natural gas were consumed in the United States last year, according to an analysis of the supply and utilization of natural gas which has just been completed by the National Industrial Conference Board. The quantity of gas, weighing about 106 million tons, has the heat value of "approximately 175 million tons of coal."

Gas Reserves Large

Proved reserves of natural gas at the end of 1947 are estimated to be 165.93 trillion cubic feet, the analysis points out, while a year earlier they totaled 160.58 trillion. "In other words, gas reserves increased 5.35 trillion cubic feet despite net production of 5.6 trillion cubic feet in 1947. At this rate of consumption our presently known reserves would last about 30 years. Additions to reserves either from discoveries of new fields or from additions and extensions of known fields, however, continue to boost gas supplies."

In 1925 gas reserves were estimated at 23 trillion cubic feet. "But between 1920 and 1946, the cumulative consumption of natural gas amounted to 51 trillion cubic feet, not including the tremendous volume of wet gas burned in the air."

Utilization of Natural Gas

More than a trillion cubic feet of natural gas were used in 1946 for repressuring oil wells, it was pointed out. This, the analysis explains, is a process used to increase recovery by forcing the crude oil through the sands to the bottoms of oil-producing wells. More than 900 billion cubic feet are estimated to be lost by flaring gas, by blowing it off into the air and by transportation losses.

Production and Uses of Carbon Black

More than a third of the marketed gas was used in oil and gas fields and in the production of carbon black, according to the analysis.

Carbon black plants account for "a larger part of natural gas consumption" than any other single industrial use except field operations—in 1946 about 478 billion cubic feet, or an increase of 38% over 1939 and nearly ninefold increase over 1919.

Carbon black similar to its prime source, natural gas, has many uses, the analysis points out. "Rubber far overshadows all others. In fact, the growth of rubber manufacture with the rise in automobile production is reflected in carbon black demand. Rubber and rubber products account for about 95% of total carbon black demand." It is noted that standard 6.00-by-16 four-supply tire requires nearly five pounds of carbon black if it is made of synthetic rubber and about three and one-half pounds of carbon black if it is made from natural rubber.

Petroleum Refineries

Petroleum refineries within the confines of the producing states or adjacent to the gas fields have a "huge appetite" for natural gas (some 331 billion cubic feet in 1946), according to the analysis.

During World War II, it is pointed out, refinery use of natural gas rose from 148 billion cubic feet in 1941 to 338 billion cubic feet in 1945. "In 1946, the first postwar year, their use of natural gas dropped to 331 billion cubic feet. This represents the first decline in natural gas use by refineries since 1939."

Electric Utility Generation

While natural gas plays "a minor role" in electric power generation, the analysis continues, the use of natural gas instead of coal as a steam-boiler fuel for electric power generation constitutes one of the largest single uses for pipeline natural gas. "Use for this purpose in 1946 amounted to about 7% of the total natural gas marketed production."

Other Industrial Uses

Among the "other industrial" uses of natural gas, there were approximately 35,100 industrial consumers in 1946—an increase of 3,300 from a year earlier, according to the analysis. No strictly comparable figures are available for 1947, but preliminary reports of the American Gas Association reveal a rise to 37,000 users.

Approximately 61 billion cubic feet of gas were reported used for domestic purposes in **1946. It is estimated that there were 9,896,500** homes using natural gas in the United States at the end of 1947

Lazard Freres Is 100 Years in Business

Lazard Freres, founded in New Orleans in July, 1848 by three brothers from Lorraine, France, celebrated its 100th anniversary on July 15. Shortly after the discovery of gold in California, the new firm transferred its headquarters to San Francisco. The firm expanded establishing affiliates in Paris and London, Lazard Freres et Cie and Lazard Brothers & Co., Ltd. The New York offices were opened in 1880.

H. K. Kelley Joins Finley in Cleveland

CLEVELAND, OHIO—H. Kendall Kelley has become associated with Finley & Co., Union Commerce Building, members of the Cleveland Stock Exchange, as vice-president. Mr. Kelley has had long experience in the investment field, before the war being treasurer of the First Cleveland Corporation. He entered the army in 1941 serving as Lieut.-Colonel until the end of 1945.

Havener, Gill & Co. Being Formed in NYC

Havener, Gill & Co., a new New York Stock Exchange member firm, will be formed on July 29 with offices at 52 Wall Street, New York City, to act as stock and commodity brokers. Partners will be Paul W. Havener and Robert Lee Gill, the Exchange member, general partners, and Felix V. Havener and Henry D. Mercer, limited partners. Paul W. Havener and Mr. Gill were formerly partners in Mallory, Adee & Co.

Trubee, Collins & Co. To Admit Two Partners

BUFFALO, N. Y.—Trubee, Collins & Co, M & T Building, members of the New York Stock Exchange, will admit Clarence H. Littell, Jr. and John A. Lautz to partnership as of Aug. 1. Mr. Littell is manager of the firm's trading department.

Donald G. Babbitt Now With H. V. Sattley Co.

DETROIT, MICH. — Donald G. Babbitt is now associated with H. V. Sattley & Co., Inc., Hammond Building. Mr. Babbitt was formerly with Keane & Company and Baker, Simonds & Co. In the past he headed his own investment firm in Detroit.

Doolittle to Admit

BUFFALO, N. Y.—Doolittle & Co., Liberty Bank Building, members of the New York Stock Exchange, will admit Michael J. Keefe to partnership as of July 29. Mr. Keefe has been in the investment business in Buffalo for many years, in the past having been with Merrill Lynch, Pierce, Fenner & Beane and its predecessors.

Sees Continuation of High Level Activity

Dr. Jules Backman points to tax reduction, Marshall Plan and rearmament as giving longer life to prevailing factors in business boom.

The tax reduction, the Marshall Plan, and the new armaments program, when added to prevailing favorable factors, assure a continuation of high level activity, Dr. Jules Backman, Associate Professor of Economics at New York University's School of Commerce, Accounts, and Finance, told the National Retail Hardware Association at the Haddon Hall Hotel, Atlantic City on July July 13, 1948).

Jules Backman

'These developments have reversed the caution which developed with the decline in food prices last February. Lower income taxes will mean more money available to buy goods currently. The Marshall Plan will mean a sustaining of export surpluses which otherwise would have declined significantly below the record level of 1947." Dr. Backman pointed out that "In evaluating the proposed expansion in armaments, comparisons with 1940 have little significance. At that time, the substantial volume of idle machines, and unemployment made it possible to superimpose a large armaments program upon the economy with relatively small effects in the early days.

"Today," Dr. Backman continued, "in contrast, such an armaments program is superimposed upon an economy already operating at boom levels, an economy featured by scarcities of manpower and key materials. The effect, therefore, must be considerably more inflationary than it was eight years ago." However, the speaker warned that never before has an immediate postwar boom been sustained for so long a period. "We have just completed the 35th month of high postwar prices. After World War I the period of high prices lasted for 18 months and then declined very sharply. After each of the three earlier major wars this country experienced from 1800 to 1941, sharp wartime postwar rises were followed by a major collapse in prices. In none of these instances did prices decline either slowly or moderately. While there is no evidence of such a collapse in prices, the accumulation of pressure becomes steadily greater. Certainly, it would seem to be ill-advised to speculate with inventories in light of this background.

"In some respects business is more vulnerable to moderate declines in activity today than to major declines in the past," Professor Backman pointed out. "This is so because rising wage and material costs have raised break-even points in many industries to the highest levels on record. It would take much more moderate declines in activity or in prices than in the past to wipe out profits or to convert them into losses. To the extent that third round wage increases have taken place, this vulnerability has been further increased."

In conclusion, Dr. Backman said, "So long as the heavy goods industries continue to operate at or close to capacity, it is difficult to visualize any sustained decline in the overall volume of retail sales although particular lines may suffer from time to time."

N. Y. S. E. Reports Quarterly Loss

But deficit of $97,420 compares favorably with net loss of $107,058 in previous quarter.

The condensed comparative statement of income and expenses of the New York Stock Exchange and affiliated companies for the quarter ended June 30, shows a net loss of $97,420, against a net loss of $107.058 for first quarter of 1948. The net loss for the first half of 1948 was $204,478.43 compared with $65,104.35 in similar period of 1947. Though income in the six months ended June 30, 1948 exceeded that of the first six months of 1947 by $93 474, the net loss from operations declined by $139,374, largely because of heavier miscellaneous outlays. The complete statement is given herewith.

NEW YORK STOCK EXCHANGE AND AFFILIATED COMPANIES

Condensed Comparative Statement of Income and Expenses

	1948 3 Mos. End. June 30	1948 3 Mos. End. March 31	1948 6 Mos. End. June 30	1947 6 Mos. End. June 30
Income—				
Membership dues	$257.812.50	$257,812.50	$515,625.00	$515,625.00
Other direct charges to members and member firms	1,057,933.90	903,228.71	1,961,162.61	1.816.240.88
Listing fees	396,768.37	237,060.00	633,828.37	704,009.71
All other income	234,613.64	281,844.80	516,458.44	497,692.77
	$1,947,128.41	$1,679,946.01	$3,627,074.42	$3,533,568.36
Expenses—				
Salaries and wages	$1,080,336.36	$995,994.04	$2,076,330.40	$1,997,294.58
Advertising	130,545.47	131,977.01	262,522.48	266,229.17
Taxes (excl. Federal income tax)	165,523.84	154,217.75	319,741.59	365,417.86
All other expense (other than deprec. and Fed. income tax)	532,363.19	369,035.85	901,399.04	700,093.25
	$1,908,768.86	$1,651,224.65	$3,559,993.51	$3,329,034.86
Excess of income over expenses, before depreciation and Federal income tax	$38,359.55	$28,721.36	$67,080.91	$204.533.50
Depreciation	—135,779.67	—135,779.67	—271,559.34	—269,637.85
Prov. for Federal income tax	(See Note)			
Net Loss	$97,420.12	$107,058.31	$204,478.43	$65,104.35

NOTE—The losses shown for 1947 and 1948 periods do not reflect the applicable portions of the estimated recovery of Federal income tax through "Loss Carry-Back" provisions.

Buckley Bros. to Admit

PHILADELPHIA, PA. — Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, and other leading Exchanges, will admit Louise S. Willet to limited partnership on Aug. 1.

Garvin, Bantel to Admit

Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Aug. 1, will admit George K. Garvin, Jr., to partnership. On the same date A. M. Garvin will retire from the firm.

Pledge Efforts Against Undue Credit Expansion

John W. Snyder, Treasury Secretary, and Joseph M. Dodge, President of ABA, exchange letters in which intensification of cooperative action is promised to control proper use and expansion of credit and to stimulate increased savings.

Secretary of the Treasury, John W. Snyder, has released an exchange of letters with Joseph M. Dodge, President of Detroit Bank also President of the American Bankers Association, relating to need for renewed efforts at cooperative action in fostering a program to curb undue credit expansion. The full text of the letters follows:

John W. Snyder

Joseph M. Dodge

The Secretary of the Treasury
Washington
July 2, 1948

Dear Mr. Dodge:

This letter is to express my appreciation for the voluntary credit control program of the American Bankers Association and to outline the circumstances, familiar to both of us, which now require that the effort under this program be continued without relaxation.

The American Bankers Association credit control program began the first of this year and has been pushed actively and aggressively by the Association through pamphlets and printed material, group meetings, and by word-of-mouth of the leaders of the banking fraternity. Bankers in all parts of the country have been influenced by the program and have screened their loan applications with added vigilance. The results have been well worth the effort. During the first five months of this year, the total loans of all commercial banks advanced by only $1,350 million, while their investments fell by $3,250 million. As a consequence, there was a substantial decline in the money supply of the country during the period, contributing materially to containing inflationary pressures.

As you know, inflationary pressures still continue serious; but the Government will no longer be able to contribute substantially to their control by means of an excess of receipts over expenditures. In the fiscal year which just closed, we had such an excess of $8.4 billion. On the other hand, in the fiscal year just commencing, as a result of increased defense and foreign aid expenditures due to the tense international situation, combined with the recent tax cut, we shall probably be unable to avoid an actual excess of expenditures over receipts.

As a consequence, the Government will no longer be able to retire bank-held debt on the scale maintained during the last fiscal year; and bankers can no longer look to a decline in their investments to offset an increase in their loans. A much larger share of the total burden of controlling inflation must henceforth lie with the banks.

Bearing this in mind, and with full realization of the seriousness of the situation, I am taking the liberty of asking you to reexamine your efforts in this field, and wherever possible to increase them. The responsibility, and it is a grave one, must rest with the self-discipline of each individual bank. Your effort to impress this upon the banking fraternity will be a real contribution to the cause of economic stability.

Sincerely yours,
JOHN W. SNYDER,
Secretary of the Treasury.

Mr. Joseph M. Dodge, President
American Bankers Association
New York, New York

* * *

July 7, 1948

The Honorable John W. Snyder
Secretary of the Treasury
Washington, D. C.

Dear Secretary Snyder:

Thank you for your letter of July 2 about the need for continued effort on the part of the banks to control credit expansion. Your comment about the voluntary program of the American Bankers Association is much appreciated.

I will see that your letter is brought to the direct attention of the appropriate officers of the banks of the Country.

We have had the complete cooperation and support of the State Bankers Associations in carrying this program to the individual banks through State, group, and other local meetings. The scope of their work has been tremendous, and it has been made effective by the ready acceptance of the principles by the individual bank managements.

However, I am sure we all realize that the emphasis of the spring meeting period is over. The first six months of this calendar year have passed and now we are going into the second six months, which is the first half of the 1948-1949 fiscal year. We can not fail to recognize the substantial change in the fiscal picture, which is mentioned in your letter, and that the period ahead of us will present a test of whether inflationary forces can be controlled and checked. Certainly recent events and forecasts suggest that the longer term outlook can be dangerously inflationary.

The American Bankers Association and the banks will continue and intensify their cooperative action to control the proper use and expansion of credit, and will continue to stimulate increased savings.

Again I am urging the banks to scrutinize credit carefully to the effect that its use will be restricted to that which stimulates immediate production and avoids increasing the pressures on consumption, except in areas of free supply. Under present conditions the extension of credit in the commercial, agricultural, or consumer fields undoubtedly requires continued emphasis on selectivity, and restriction to sound and necessary purposes.

In particular I am asking the banks not to contribute to rising prices, fictitious values, or false standards of living from the use of credit; to maintain a general and consistent pressure for loan liquidation and the fulfillment of payment commitments; to watch the inventory and accounts receivable; accumulations of borrowers; to scrutinize the terms under which borrowers themselves extend credit; to relate mortgage loans to sound and realistic values; and to make consumer credit loans on conservative terms. In all cases the total obligations of borrowers should be held well within their capacities to pay.

Also, I am asking the banks to use every effort to encourage investment in Government Savings Bonds and in savings deposit accounts. Savings are particularly important because the more saved now, the more people will have—and the less they spend, the greater will be the future purchasing power of their savings and incomes.

Everyone knows that the further prices and debts get out of line, the greater the probability of a drastic correction which will bring severe penalties, particularly to the over-extended borrower. Individuals, businesses, and the Nation all need stability as much as or more than they need prosperity. This is a time in which we can not afford personal or business deficits any more than we can afford Government Budget deficits.

Our stability can only be maintained by a combination of good judgment and a deliberate restraint. The fundamentally sound and flexible financial position of borrowers and banks is the basic protection for all unexpected future economic changes.

Of course there is no way the banks can undo the inflationary forces already in effect or which may come into effect from other sources. Also the present level of our economic activity and prices requires substantial uses of credit. But bankers acknowledge the fundamental reponsibility to maintain sound assets and a substantial liquidity, and to avoid credit abuses.

You can be assured of our continued cooperation in meeting the inflationary problem.

Sincerely yours,
JOSEPH M. DODGE,
President.

Would Ban Mail Use

CLEVELAND, OHIO—The Securities and Exchange Commission has filed a civil action in Federal Court to enjoin Josiah Kirby from using the mails to engage in securities transactions. The Commission charged that Mr. Kirby had acted as a broker in New York City in the last four years without registering with the SEC as required by law. As an over-the-counter salesman, the Commission said, Mr. Kirby has sold at least 37 different issues of stock to 47 persons in transactions involving an estimated $1,185,470.

Harold Sears Dead

Harold C. Sears, limited partner in Draper, Sears & Co. of Boston, died on July 13.

World Bank Announces Full Disbursement of Loans to Holland and France

The entire proceeds of the $195,000,000 loan to the Kingdom of the Netherlands have been disbursed, it was announced on July 19 by John J. McCloy, President of the International Bank for Reconstruction and Development. The loan to the Netherlands served to finance the following equipment and raw materials: cargo vessels and tankers, $40.2 million; various equipment, $64.8; coal, $15 million; non-ferrous metals, $10 million; feeding grains, $25 million; rolling mill products, $25 million; lumber, $5 million; raw materials for the building industry $5 million; and fertilizers, $5 million.

John J. McCloy

The major part of the loan namely, $121 million, was disbursed for purchases made in the United States, and the balance of $74 million was spent in other countries of Europe and South America. The proceeds of the Swiss Franc bond issue, disbursed by the Bank to the Netherlands as part of the original loan agreement, was utilized to finance the purchase by the Dutch of equipment in Switzerland.

In accordance with its general policy of supervision over its loans, the Bank is in the process of ascertaining the specific uses of the goods financed out of its loan to the Netherlands, thereby ensuring that they are being employed only for purposes eligible under the loan agreement.

Information so far received from the Bank's field representatives indicate that the principal recipients of Bank financed coal were: gas works, railways, heavy industries, and food processing industries. Reports on rolling mill products and non-ferrous metals indicate deliveries for use by the shipbuilding and food processing industries. The main beneficiaries of miscellaneous equipment were the metal industries, shipbuilding, bicycle manufacturing, textile, transport and communications and agriculture.

As was previously announced the $250,000,000 loan to France has also been completely disbursed. Of the $12,000,000 loan to Luxembourg, approximately $8,500,000 has been disbursed to date; and approximately $16,500,000 of the $40,000,000 loan to Denmark.

Australia to Cut Dollar Expenditure

Australian trade with dollar countries may be even further restricted although imports from North America are already cut to essential commodities. This possibility was admitted July 14 by the Acting Treasurer, John J. Dedman, when commenting on Prime Minister Joseph B. Chifley's broadcast from London that the Australian Government was prepared to take appropriate action, however drastic, to save dollars. Mr. Dedman said Australia had an obligation to the rest of the sterling area to restrict dollar expenditure to a minimum. She would honor that obligation. The Government so far, received no official advice, but the position had worsened to an extent that would require a revision of future dollar plans. He added that Australia's dollar requirements were roughly twice the amount earned. Always in the past this deficiency had been met by the Empire dollar pool.

Curb 5 & 20 Dinner

Twenty-five members of the New York Curb Exchange Employees Quarter Century Club enjoyed a short dinner July 15 at the East Point House in Freeport, Long Island. The dinner was tendered the club by the Exchange in honor of nine new members admitted during the past year.

Honorary club members Francis Adams Truslow, Curb President, Edward C. Werle, Board Chairman, and Andrew Baird, Vice-Chairman, were present, according to Louis R. Burgers, club president. Mortimer Landsberg, president of the Curb Members' Five and Twenty Club, was also a guest.

Lee Rand & Co., Admits

Edward J. Bauman is now a partner in Lee Rand & Company, 30 Broad Street, New York City.

Reports Progress in Low-Income Families Home Ownership

U. S. Savings and Loan League gives highlights of survey of loans made since V-J Day. Bodfish, Chairman of U. S. Savings and Loan League, says home construction is cracking backbone of housing shortage.

More evidence that private home-ownership is within the reach of many low-income families today is furnished in a report by the U. S. Savings and Loan League, trade organization for more than 3,648 thrift and home-financing institutions. The report was based on a survey made by the League in connection with its recently inaugurated drive among its members to concentrate available credit on new homes priced between $4,000 and $10,000. One of the intended aims of the drive is to relieve price pressures on existing homes.

Morton Bodfish

The League's report, covers loans made before the war and since V-J Day to families of low income by savings and loan associations in 23 cities with population ranging from 10,000 to 2,000,000. Highlights of the League's report are:

(1) Families considered in the low-income brackets are paying $4,471 for an older home today as compared with $3,724 before World War II. Good properties in many smaller cities, of course, sell for considerably lower prices than would the same houses in a big city.

(2) Incomes of families in these groups have risen from a pre-war figure of $137 monthly to an average of $179 today, with the annual incomes increasing from $1,649 to $2,050.

(3) Average amount of loans to these families has climbed from $2,479 to $3,054, a ratio in each instance of one and a half times the annual income.

(4) Monthly loan payments of low-income borrowers now average $27.01 compared with $21.91 before the war.

Morton Bodfish, Chairman of the League's Executive Committee, which has undertaken the low-priced financing program, asserted that the survey is another indication that the present volume of home construction is beginning to crack the backbone of the present housing shortage.

"The figures we are receiving from various parts of the country offer ample evidence that the private home-building industry, freed from government controls, is putting up homes faster than ever before in our history," he declared.

He noted that the survey also showed that many families now are buying their own homes with incomes corresponding to those of public housing tenants in government housing projects. This disproves the theory that a government subsidy is necessary to supply housing for persons of low and moderate income, he said.

Particularly in the smaller cities, he continued, a high percentage of the desirable properties are within the reach of thrifty families with incomes of $2,500 and under.

"It is illuminating to notice that of loans covered in the survey, only one in five involves a Federal guarantee, either under the GI Bill or by the FHA. This is particularly significant in view of the frequent proposals for new government guarantee programs," Bodfish said.

"Obviously, low-income borrowers have denied themselves many temporary luxuries in order to achieve home-ownership, and it is heartening to see this emphasis on economy and self-reliance in the face of a widely-espoused inclination to depend upon the government for all types of security."

Says World Tension Requires Better Public Understanding of Economic System

Evans Clark, Executive Director of Twentieth Century Fund, sees a remarkable increase of activity in field of public affairs education.

Growing tension between East and West in international affairs makes it imperative that the American people should have a better understanding of their own economic system, says Evans Clark, Executive Director of the Twentieth Century Fund, in the Fund's Annual Report. Reviewing the Fund's activities in 1947, Mr. Clark says:

"The overriding development of the year, of course, was the ominous deepening of the differences between the East and the West—at bottom due to the antithesis in their economic way of life. These differences raised grave and urgent problems for American diplomacy, both political and economic. But they also urgently call for a heightened understanding by the American people of their own economic system, a knowledge of how it works, and of its sensational achievements in spite of its obvious shortcomings."

One effect of the "restless peace," says Mr. Clark, has been "a remarkable increase of activity in the field of public affairs education. Using the striking wartime advances in the techniques of mass communication, the American people are now engaged in a great national movement to inform themselves about the problems which confront them, to discuss these issues freely and to organize for community action. Forums, discussion groups, local and State-wide 'citizens' councils,' educational programs of national public welfare organizations, all have grown prodigiously during the past few years and are still rapidly expanding. . . . During 1947 the Fund has sought in every possible way to stimulate and cooperate with this great national effort of the mind and will. It has done so first by attempting to supply the facts on many of the crucial issues and to suggest programs of action in the public interest to deal with them; and second, by cooperating formally and informally with other public welfare agencies in improving the mechanisms through which these facts and programs are communicated to the public."

Mr. Clark announced the addition of five new members to the Board of Trustees of the Twentieth Century Fund. They are: Chester Bowles, formerly U. S. Director of Economic Stabilization; Benjamin V. Cohen, lawyer and formerly Counselor of the State Department; Paul G. Hoffman, Administrator of the Economic Cooperation Administration and formerly President of the Studebaker Corporation and Chairman of the Committee for Economic Development; former Senator Robert M. La Follette, Jr., and H. Chr. Sonne, President of Amsinck, Sonne & Co. and Chairman of the National Planning Association. Mr. Clark also announced that Percy S. Brown and William I. Myers had retired from the Board of Trustees and that Adolf A. Berle, Jr. had succeeded Morris E. Leeds as Treasurer.

A. Tatistcheff Joins Merrill, Lynch Firm

Alexis Tatistcheff, principal economist with the Combined Raw Materials Board during the war and prior to that chief statistician of the Commodity Exchange, Inc., has joined Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, as Manager of its Hide and Rubber Department, it has been announced.

Alexis Tatistcheff

Mr. Tatistcheff was drafted from the Raw Materials Board where he had charge of allocating hides, rubber and non-ferrous metals, to act as senior U. S. Russian-English interpreter. Mr. Tatistcheff attended the 21 nations Peace Conference in Paris in 1946, and as Chief Interpreter for the Department of State, Mr. Tatistcheff accompanied Secretary of State Marshall to the Council of Foreign Ministers in London in December, 1947.

Alpheus C. Beane, director of the Merrill Lynch Commodity Division, said the appointment of Mr. Tatistcheff was a consequence of the returning importance of free markets in those commodities in which free trading was suspended during the war. In addition to Mr. Tatistcheff's experience in hides and rubber, he was also chief statistician for the New York Raw Silk Exchange and had extensive wartime experience with all commodities on the strategic list.

Toledo Bond Club Outing Big Success

TOLEDO, OHIO — The annual outing of the Bond Club of Toledo at Inverness Country Club was pronounced a huge success by attending members and guests. Among the 125 guests were Toledo bankers, representatives of the Securities and Exchange Commission, the Industrial Commission of Ohio, the State Teachers Retirement System and many of the nation's investment banking houses. Cities represented were Chicago, Detroit, New York, Minneapolis, St. Paul, Philadelphia, Pittsburgh, Memphis, Nashville, Boston, Columbus, Lynchburg, Va., St. Louis and Davenport, Iowa.

A cocktail party at the Downtown Club, Secor Hotel, was held the night before the outing.

E. F. Heydinger, Roose & Co., is president of the Bond Club of Toledo. Burt T. Ryan, Ryan, Sutherland & Co., was chairman of the entertainment committee.

Firm Name Now Knapp & Johnson

CEDAR RAPIDS, IOWA — The firm name of Knapp and Company, Merchants National Bank Building, has been changed to Knapp and Johnson. Partners are Russell F. Knapp, Sam S. Johnson, and Floyd H. Knapp.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At a meeting of the Board of Directors held on July 14, C. R. Black, Jr., was elected to the Board of Directors of the **Grace National Bank of New York.** Mr. Black is President of the C. R. Black, Jr., Corporation and a member of the Board of Directors of Republic Steel Corporation.

C. R. Black, Jr.

* * *

Manufacturers Trust Company of New York announces that Herbert L. Grant, William F. Landriau and Harold A. Walsh have been advanced from Assistant Secretary to Assistant Vice-President. Both Mr. Grant and Mr. Landriau became connected with the bank in 1932 through the merger with the Chatham Phenix National Bank, Mr. Grant having begun his banking career with the Royal Bank of Canada in 1914, and Mr. Landriau with the same bank in 1915. Mr. Walsh has been with the bank since 1931 having started with the old Gotham National Bank in 1915. At present all three men are in the bank's Business Development Department. Mr. Grant represents the bank in Southern New England and Long Island; Mr. Landriau in New York State, and Mr. Walsh in North Dakota Minnesota and Wisconsin.

It is also announced by the Manufacturers Trust Company that Nathan E. Evans, Angus M. MacDonald and Charles F. MacLellan have been appointed Assistant Secretaries. Mr. Evans came to the bank in 1918 through the merger with the Columbia Bank. At present he is in the Comptrollers Department and has been Treasurer of the Manufacturers Safe Deposit Company since 1941. Mr. MacDonald came to the bank in 1932 through the merger with the Chatham Phenix National Bank. Mr. MacLellan became affiliated with the bank in 1940, and after an absence of several years with the Armed Forces returned to the bank in 1946.

* * *

A certificate, providing for an increase in the capital stock of the **Royal Industrial Bank of New York,** at 1134 Broadway, from $435,000 to $535,000, was approved by the New York State Banking Department on June 30. The bank's stock has a par value of $10 each.

* * *

Robert Weed Doye, Assistant Comptroller of **The National City Bank of New York,** died on July 18 at Saranac Lake. He was 54 years old. Mr. Doye spent most of his business career as a banker, having entered the employ of The National City Bank in 1915 following his graduation from New York University. He was for a time a member of the Foreign Branch Inspection Staff and traveled considerably in connection with his duties. In 1936 he was appointed Assistant Comptroller. Mr. Doye served as a Lieutenant in the U. S. Army during the first World War.

* * *

Approval has been given by the New York State Banking Department to a certificate of increase of capital stock of the Bank of **Rockville Centre Trust Co.,** in **Rockville Centre, N. Y.,** from $200,000, consisting of 2,000 shares of the par value of $100 each, to $400,000, consisting of 4,000 shares of the par value of $100 each.

Announcement to this effect was made by the Banking Department on July 15.

* * *

The **First National Bank & Trust Company of New Haven, Conn.,** reached its 85th anniversary on July 1. According to the New Haven "Register" on July 1, the bank, organized in 1863 by five men, including Harmanus M. Welch, then Mayor of New Haven, was the first to apply for a charter under the National Bank Act of 1863. The "Register" further says:

"However, Dwight L. Chamberlain, President of the New Haven Bank said today, Jay Cooke [who helped finance the Civil War] wanted the First National Bank of Philadelphia to receive the first certificate, and because of his efforts on behalf of the Union prior to and during the Civil War, the local bank withdrew in his favor.

"The New Haven Bank was the second to be chartered in the nation, and the first in New England, and opened its doors for the first time July 1, 1863. From a capital investment of $300,000, and a one-room business office in Chapel Street then, the bank had assets of more than $1,500,000 by 1895 when it opened its 10-story building on Church Street. Today, it has deposits of more than $69,000,000."

* * *

George J. Bassett, President of the **Connecticut Savings Bank of New Haven, Conn.,** was elected Chairman of the Board at the recent annual meeting, while Carl G. Freese, heretofore Vice-President and Treasurer, was made President and Treasurer. The Hartford "Daily Courant" of July 15, reporting these changes, said that Mr. Bassett, who was Bank Commissioner for two terms, retired from that post in 1933 to become President of the bank. The "Courant" also said:

"He has been President of John E. Bassett and Company for more than 50 years. He has served as President of the Connecticut and National Associations of Mutual Savings banks.

"Mr. Freese, who spent most of his busines life with R. L. Day & Co., became Vice-President of the bank in 1944. He has served as President of the National Association of Mutual Savings Banks. Other staff promotions: Assistant Treasurers Harry H. Owen and Allen R. Carmichael to be Vice-Presidents; Assistant Secretary Carl G. Rosenquist to be Assistant Treasurer.

* * *

The capital of the **National Bank of Palisades Park, at Palisades Park, N. J.,** was increased, effective June 25, from $100,000 to $150,000 through the sale of $50,000 of new stock.

* * *

Emmett O'Neill, an organizer and former President of the **Frankford Trust Co. of Philadelphia** died on July 11. He was 98 years of age. In an account of his activities, the Philadelphia "Evening Bulletin" of July 14 stated:

"A resident of Frankford since 1872, Mr. O'Neill helped form the

Frankford Real Estate and Safe Deposit Co., as the Frankford Trust Co. first was known, in 1888. He was a director of the firm then, became Vice-President in 1909 and President in 1913. He resigned from that position in 1925 and from then until 1942 served as Board Chairman.

* * *

Following the acquisition of the **Butler County National Bank of Butler, Pa.,** by the **Mellon National Bank and Trust Company of Pittsburgh,** the principal office of the Butler Bank and its branches at Lyndora, Harrisville, Chicora and Saxonburg, Pa., have become branches of the Mellon bank, it was stated in the Pittsburgh "Post Gazette" of July 12. The taking over of the Butler bank was approved by the stockholders on July 9.

Dean B. Copeland, formerly Vice-President of the Butler bank, has been appointed manager of the five new Mellon offices, said the "Post Gazette" which added:

"Elias Ritts, formerly President of the Butler bank, will serve as Chairman of the advisory committee for the Butler offices.

"The Butler bank had total resources in excess of $38,000,000 as of June 30."

* * *

The resignation of Earl H. Shaw as First Vice-President and director of the **First National Bank of Erie, Pa.,** and the election of three new Vice-Presidents, was announced on July 14, it was stated in Erie advices appearing in the Pittsburgh "Post Gazette" which added that Roy G. Mauer, L. V. Ahrens and C. J. Heimberger were promoted to Vice-Presidents.

* * *

Harry G. Meem has retired as President of the **Washington Loan & Trust Company of Washington, D. C.,** following 57 years of continuous service with the institution, it was stated in the Washington "Post" of July 2, in the column conducted by S. Oliver Goodman. It is announced that Mr. Meem will continue as a director and a member of the executive and trust committees. With Mr. Meem's retirement, Alfred H. Lawson was elected to succeed him as President and Charles H. Doing was named Chairman of the Board. Mr. Lawson was heretofore Second Vice-President of the company; he joined the institution in 1923. Mr. Doing, the new Chairman, formerly was First Vice-President of the trust company. Associated with the Washington Loan & Trust since 1900, he is a director and member of the executive and trust committees.

* * *

An addition of $100,000 to the capital of the **First National Bank of Mishawaka, Ind.,** through a stock dividend of that amount, has served to increase the common capital effective July 2 from $400,000 to $500,000.

* * *

Ernest P. Crossen, with the Investment Research Department of **Chicago Title and Trust Company of Chicago, Ill.,** since May, 1946, has been appointed Assistant Treasurer. A native of Canada, Mr. Crossen was graduated from Toronto University and Columbia University School of Business. He is a veteran of both world wars. At the time of his discharge as Lieutenant Colonel following World War II in January, 1946, he was Chief of the Foreign Installations Section of the Army Air Forces. Mr. Crossen formerly served as manager of the Statistical Department of Bongard & Co. of Toronto and manager of the field staff in the midwest for Standard and Poor's Corporation.

* * *

On July 14 the stockholders of **the Detroit Bank, of Detroit, Mich.** ratified the proposal of the directors to increase the common capital stock by 50,000 shares—par value $20 a share. Shareholders on warrants were given the right to subscribe at $60 a share on the basis of two shares for each seven held at the close of business on July 14. The warrants will expire Aug. 3. Unsubscribed stock will be underwritten by a group headed by First of Michigan Corp. and Watling, Lerchen & Co.

As indicated in our issue of July 1, (page 23) the present common capital of the bank is $3,500,000, while its preferred stock stands at $3,700,000. The proceeds of the new stock, it is stated, will add $1,000,000 to the common stock and $2,000,000 to the surplus.

* * *

The **Fourth National Bank of Tulsa, Okla.,** increased its capital effective July 30, from $300,000 to $400,000 through stock dividend of $100,000.

* * *

The capital of the **First National Bank & Trust Company of Muskogee, Okla.,** has been increased from $400,000 to $500,000 by a stock dividend of $100,000. The new capital became effective July 7, it is learned from the July 12 Bulletin of the Office of the Comptroller of the Currency.

* * *

Bryce F. Johnston resigned as Assistant Vice-President of the **First National Bank of Kansas City, Mo.,** to become a Vice-President of the **Traders Gate City Bank of Kansas City,** effective July 15, it was stated in the Kansas City "Star" of July 13. The same paper said that before entering the army Mr. Johnson was with the City National Bank and Trust Company.

* * *

Richard B. Barton, President of the **National Bank of Commerce, in Memphis, Tenn,** died on July 12. Mr. Barton was also a factor in the cotton firm of F. G. Barton Cotton Co., established by his brother Frank, it was stated in the Memphis "Commercial Appeal" of July 13, from which we also quote:

"Mr. Barton joining his brother in 1907, became President of the firm in 1924, and in recent years had been Chairman of the Board. He was the 1926 President of the Memphis Cotton Exchange.

"He became a Vice-President of the Bank of Commerce in 1927 and when the National Bank of Commerce in Memphis was organized in 1933, Mr. Barton became Executive Vice-President, followed by the Presidency seven years later."

Mr. Barton was 67 years of age at the time of his death.

* * *

C. B. McManus, President of the Georgia Power Company, was elected a director of the **First National Bank of Atlanta, Ga.,** on July 13. In the Atlanta "Constitution" it was stated that:

"Mr. McManus became President of the Georgia Power Co. last November to succeed the late Preston S. Arkwright, Jr. He first came to the Georgia Power Co. in 1927 from the Alabama Power Co. In 1945 he became assistant to the President and a member of the Company's Board of Directors. In electing Mr. McManus to the board of the bank, the directors also designated the following as Assistant Cashiers: Benjamin Shields Barnes, Jr., Virgil D. Jones, Ben Audrey Pelot and Graham Wright, Jr.

* * *

W. J. (Fred) Hoopes, Vice-President of the **Mercantile National Bank at Dallas, Tex.,** died on July 5. He was 73 years of age. Mr. Hoopes formerly served as President of the Texas Bankers' Association, and, it is learned from the Dallas "Times Herald" was the first Cashier of the **Federal Reserve Bank of Dallas.** He likewise served as Secretary of the Texas Bankers Association for nine years, and was a former Treasurer of the American Bankers' Association, as well as having been a member of the Executive Council of the ABA.

William Heuer, Jr., former Executive Vice-President of the **First Bank and Trust Company, South Bend, Ind.,** has been elected Vice-President of **California Bank, Los Angeles, Cal.,** Frank L. King, President, announced. A graduate of the University of Iowa Law School, Mr. Heuer entered banking in 1930 with the Continental Illinois National Bank and Trust Company, Chicago, joining the First Bank and Trust Company staff four years later. He was elected Executive Vice-President of that institution in September, 1946, shortly after his return from three years service in the Army Field Artillery where he served as captain in the New Guinea and Philippines campaigns and was awarded the Bronze Star. Mr. Heuer is a member of the Robert Morris Associates and the National Association of Cost Accountants.

* * *

N. W. Chisholm, London Manager of the **National Bank of India, Ltd.,** has been appointed Deputy General Manager of the bank. William Kerr, Inspector of Branches, has been appointed London Manager.

H. R. Ashbrook Dead

H. Raymond Ashbrook, retired investment broker, died in Cincinnati at the age of 74. Mr. Ashbrook, a native of Covington, Ky., entered the employ of Claude Ashbrook & Co., owned by his brothers, in 1903. He opened a branch office for the firm in Toledo in 1904, bought the branch, and later rejoined his brothers in Cincinnati. In 1916 he became a member of the firm, which ceased operations in 1939 when he retired, his brothers both having retired from the firm some years previously.

R. J. Hale in E. Aurora

EAST AURORA, N. Y. — R. J. Hale is engaging in a securities business from offices at 303 Olean Street. In the past he was in the investment business in East Aurora.

Carl T. Weber Co. Opens

ROCHESTER, N. Y. — Carl T. Weber is engaging in a securities business from offices in the Powers Building, under the firm name of The Carl T. Weber Company.

Warns Commercial Banks on Realty Loans

Maple T. Harl, of FDIC, counsels caution by banks because loans are made during a period of high prices and cover long periods.

Commenting on a tabulation of real estate loans made by insured commercial banks during the years 1945-1947, inclusive, Maple T. Harl, of the Federal Deposit Insurance Corporation, sounded a note of caution against undue expansion of this form of credit.

Maple T. Harl

"Real estate loans of insured commercial banks doubled between the end of 1945 and the end of 1947," Chairman Maple T. Harl observed. The largest relative increases occurred in the States of the South and West. For the 2-year period from the end of 1945 to the end of 1947, the amount of real estate loans outstanding at insured commerical banks increased more than 200% in Oregon, Montana, and Arizona and between 150 and 200% in South Carolina, New Mexico, Alabama, Nevada, Arkansas, and Louisiana.

Continuing, Mr. Harl stated:

"Loans on residential properties constitute the largest component of real estate loans. The increase in this type of loan for the 2-year period accounted for more than three-fourths of the increase in total real estate loans of insured commercial banks. The 2-year increase in residential properties represented a gain of 105% as compared with a 56% rise in loans on farm land and a 98% expansion in loans on other properties largely commercial and industrial properties. The rapid rise in loans on residential properties in the postwar period has reflected not only the increase in construction activity but also the widespread sale of rental housing to individuals who have become owner-occupants rather than renters."

Mr. Harl likewise stated, "Real estate loans have become a much more important part of commercial bank assets in the postwar period." At the end of 1947, 6% of the assets of insured commercial banks were invested in real estate loans as compared with only 3% at the end of 1945. The proportion at the close of 1947 varied from 2% in New York to 23% in Vermont. In 9 States real estate loans accounted for more than 10% of insured commercial bank assets.

"The continued rise in the amount of real estate loans held by insured commercial banks and their increase in importance in the bank asset picture indicates the necessity for caution," Mr. Harl commented. "About half of the $9 billion of real estate loans outstanding at insured commercial banks at the end of 1947 have been made during a period of high prices. Since real estate loans are made for relatively long periods of time a decline in prices and business activity may affect the quality of such loans. The risk of future losses to the banks, however, is lessened by the existence of government guarantee and insurance which covers about two-fifths of the real estate loans now held by insured commercial banks."

Edgington With Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William L. Edgington has become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Pacific Company of California.

Urbach With Dunbar

LOS ANGELES, CALIF.—John B. Dunbar & Co., 634 So. Spring Street, announces the association with the firm of Bert S. Urbach. Mr. Urbach was formerly in charge of the Pasadena office of R. F. Ruth & Company.

With Wheeler & Woolfolk

NEW ORLEANS, LA. — Claude G. Rives III, has joined the sales department of Wheeler & Woolfolk, Inc., Whitney Building, members of the New Orleans Stock Exchange.

As We See It

(Continued from page 5)

candidate is of the usual equivocal variety, it would appear not to block the road. At any rate, we may express the wish (though we hardly expect to see it) that the Republican Congress would meet the Truman "challenge" head on, as it were, characterizing much of what the President wants as definitely New Dealish, if not worse, and formulating an unambiguous, constructive program of its own and enacting as much of it as is feasible in the short time it has at its disposal before the coming election.

Why?

Certainly a Republican Congress may well ask why it should take a "package" of legislative proposals from a Democratic President and proceed with dispatch to place them upon the statute books in order to prove that it is worthy of the confidence and support of the nation. The outside observer finds it difficult not to inquire whether it would not be quite possible to reason from such action that the Democratic Party, not the Republican Party, is more entitled to confidence — and that the Republican Party is aware of the fact. If the majority in the present Congress must look to the leader of the minority in that body for a program, then why should not the master mind in the White House have his own party to support him at the other end of Pennsylvania Avenue — assuming, as does not appear to be altogether true, that his party would support him in his own personal notions of what is good for the country.

The fact is, of course, that notwithstanding all that has happened during the past two or three years, and despite repudiation by some of the ringleaders of his predecessor, President Truman is a New Dealer and nothing else. The program of legislation he would now force upon Congress is not merely tinged, but saturated, with the semi-socialistic philosophy which permeated the thought and the programs of the Roosevelt administrations. The proposed measures are paternalistic; they are definitely totalitarian in their essence; they breathe the spirit of the managed economy advocates; they assume that this country has "outgrown" the doctrines and the ways of life which have made it the envy of the world; they, by implication, insist that the people working through their politicians can accomplish that which they are supposed to be unable to do directly for themselves; and the whole of it represents a program which would have made even Woodrow Wilson gasp and stare.

Controls! Controls!

Close to the heart of these proposals is the demand for power to control the economic life and, in substantial measure, the personal life of the people at large. Of course, there is a certain amount of caution in advocating a program which has already so dismally failed within the short span of the present Administration. They are to be "standby" controls—i.e., create a situation in which the President, if he in his infinite wisdom, thinks it wise may give effect to rationing, to price control and to various other incidental programs or practices. No one who has cut his eye teeth can, however, well doubt that the President would very promptly institute a regime such as that which defeated his party so roundly in 1946. It is the hope he is holding out to the housewife now so harried by the prices she must pay the grocer, the butcher and all the others from which she must obtain the necessaries of life. Having made so much of it, he could not simply forget the whole matter once the power is in his hands.

Now, neither in the Republican platform nor anywhere else can we find one good reason why the Republican leaders should not expose this utterly discredited remedy for what is popularly known as "inflation," and flatly refuse to have anything whatever to do with it. Experience has amply and definitely shown that controls of the sort that the President is seeking simply shut off supply to the legitimate markets, leaving him who would have the scarcer articles under the necessity of paying in the black markets much more than the high price now being charged in legitimate market places. The professional reformers, and the President of the United States are repeatedly shouting that prices must not be permitted to ration goods in this country, or at least not the necessaries of life. Whether they know it or not, or are willing to admit it or not, prices have always rationed goods in this and every other country where people have done well for themselves through the years. It is part and parcel of the American way of life.

Face the Issue

This is a good time to face this price situation fairly and squarely. The high prices of today are the product of past economic sins, for the most part. Where this is not the case they are an inevitable consequence of the policies of the Truman Administration now so loudly shouting about the high cost of living and so insistently asking for autocratic power to abolish our difficulties by fiat. We are still paying large funds out of the Treasury to support the price of some of the very things that the housewife must now buy at unheard-of prices! Assurance is being given the farmer daily that the prices of the things he has to sell will not be permitted to suffer. The Government is daily competing in a large way in the labor markets of the nation to carry on projects which are economically valueless. One result is to aggravate a labor supply situation which renders it impossible to resist constantly rising wages — which incidentally appear to be quite acceptable to the Administration. The Washington authorities have undertaken to pour almost incredible quantities of many types of goods into Europe without receiving much in the way of goods in return. Here, along with the inflationary financing of the war and the New Deal which came before it, are the causes of the high cost of living today.

What an Opportunity!

And the only cure that the Truman Administration can think of is another large dose of controls!

It would not be in the least difficult to show that the housing measure — the Taft-Ellender-Wagner bill, to be specific — suffers horribly from the same type of infirmity. And so on with nearly the whole list now brought forth by the President.

WHAT AN OPPORTUNITY FOR THE REPUBLICAN PARTY—IF ONLY IT WILL!

Plans and Procedures of ECA

(Continued from first page)

of their deliberations and are a basis for their conclusions that to attain real recovery they would need approximately 22 billions of American aid during the next four years.

Independent Studies Made

Five American committees made independent studies of the subject. This document reports the findings of a committee of government agencies headed by J. A. Krug, Secretary of the Interior. This is a report made to the President on the same subject by his Council of Economic Advisers. This is the report of a committee of American businessmen, appointed by Secretary of Commerce Harriman, and known popularly as the Harriman Committee. Here is a compact little 177-page report by the National Advisory Council on International Monetary and Financial Problems. And finally, here is the report of the Herter Committee — 18 Congressmen who investigated conditions personally throughout Europe last summer. They were aided by a staff of 11, 24 consultants and three senior consultants —Allan W. Dulles, John M. Hancock and Julius Klein. Here is the report of the Herter-Eaton Committee, which runs to 883 pages. The State Department set about gathering statistics through its commercial attaches. It also enlisted experts from the Departments of Commerce, Agriculture, Treasury and Interior to check on the program presented by the committee of 16 European nations. Here are nine of the 25 volumes which contain the findings of the State Department.

As a result of all the foregoing, a bill was introduced in the Congress. These three volumes contain the testimony considered by the Committee on Foreign Relations of the Senate, a total of 1,466 pages. These books contain the testimony presented to the Committee on Foreign Relations of the House, 2,296 additional pages. On a basis of this testimony, the House and Senate on April 3, 1948, passed the Foreign Assistance Act of 1948. A few days later, President Truman appointed Paul G. Hoffman Administrator; and on Sunday, April 11, as I was about to assist in celebrating my grandson's fourth birthday, I received a telephone call from Mr. Hoffman requesting that I catch an afternoon plane for Washington.

You might think that now Mr. Hoffman could devote himself wholeheartedly to the building of an organization to carry out the will of the Congress, as expressed in this Act. The Congress had considered this great mass of reports, had listened to the testimony of experts best qualified to advise it, and had passed Public Law 472. But not so. Under our system of government, the substantive bill does not carry an appropriation but merely an authorization for an appropration. Therefore, Mr. Hoffman and the staff of ECA have spent much time during the past three months before the Appropriations Committee of the House and of the Senate, seeking to persuade them to appropriate the amounts which the House and Senate had authorized for appropriation. It is not surprising that Europeans were bewildered when the Appropriations Committee of the House, after hearing the 1,500 pages of testimony contained in these two volumes, proposed that the authorized appropriation be reduced by 25% in the actual appropriation. However, the Appropriations Committee of the Senate, on a basis of the approximately 700 pages of testimony contained in this volume, supported the original program and on June 28, less than a month ago, this 7-page Appropriation Act was approved and ECA was really in business. What then are our plans for carrying out the responsibilities laid upon us by this 26-page Act with the money made available by this 7-page Act. All our plans necessarily stem from the preamble of the Act which reads:

"Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance."

Responsibilities of ECA

The responsibilities of ECA may be grouped under three heads.

(1) Those contributing most directly to European recovery—13 of them.

(2) Those for the protection of the United States economy—14 in number.

(3) Miscellaneous — seven responsibilities.

I am considering today only our 34 responsibilities to Europe. China is another story.

To promote European recovery we are directed to:

(1) Promote agricultural production in each of the 16 countries.

(2) Promote industrial production.

(3) Assist in the restoration and maintenance of sound currencies and budgets, and finances.

(4) Facilitate and stimulate trade within Europe and trade by Europe with the rest of the world.

(5) Encourage American investments in Europe through guaranties of convertibility of local currencies into dollars.

(6) With the advice of the National Adisory Council, determine whether assistance is to be in the form of loans or grants.

(7) Negotiate for the retention in Germany of certain plants scheduled for removal as reparations.

(8) See that assets and earnings belonging to citizens of participating countries, but situated in U. S. territory, are so far as possible located by the participating country and put to approriate use in furtherance of the European Recovery Program.

(9) Encourage the largest possible utilization of manpower within each participating country, including where possible arrangements with the International Refugee Organization.

(10) See that our commodities are exported first to participating countries in preference to nonparticipating countries, wholly or partially in Europe.

(11) With the advice of the National Advisory Council and the Public Advisory Board and by agreement with participating countries develop programs by which counterpart funds are used to promote recovery in the countries which receive aid in the form of grants. When a country receives a grant rather than a loan, it must deposit local currency, equivalent in value to the grant, in a fund to be used for recovery purposes in that country.

(12) Establish a mission in each of the 16 participating countries to aid in developing plans for recovery and to follow through on the end use of goods received through ECA.

(13) Make available to European countries American technical experience and advice in management and production — in other words, export know-how, as well as commodities.

These are the 13 principal responsibilities related to European recovery. I have not named them in the order of their importance. In addition, in order to protect the American economy ECA is directed to:

(1) Prevent the export of commodities that might put an undue strain upon our own economy by creating domestic shortages.

(2) Scrutinize carefully all prices paid and particularly to see that bulk purchases made in countries outside the United States are

not made at prices higher than those prevailing in the United States.

(3) Arrange for the purchase of strategic materials from the participating nations and their dependencies.

(4) Utilize a portion of the counterpart funds for exploration and development to insure an increased supply of strategic materials.

(5) Refuse delivery to participating countries of commodities for use in the production of other commodities for delivery to any non-participating European country which would be refused an export license for such commodities in the interest of national security.

(6) Encourage the use of normal private channels of trade.

(7) Route at least 50% of all shipments to Europe to ships flying the American flag.

(8) Obtain petroleum products, as far as possible, from sources outside the United States.

(9) On the advice of the Secretary of Agriculture, assist in the disposal of our surplus agricultural products.

(10) See that of total wheat and flour exports not less than 25% consist of flour.

(11) All wool must be bought from the Commodity Credit Corporation until its stocks are exhausted.

(12) The total amount of farm machinery, including tractors, that may be exported to participating countries during the current year must not exceed $75,-000,000.

(13) The Administrator must provide for the procurement and transfer to participating countries of commodities contracted for in good faith prior to March 1, 1948, where an export license has been denied or cannot be obtained for export to non-participating countries.

(14) Of exports of nitrogenous fertilizer materials or compounds to non-occupied areas, 50% must come from Army production.

And those are our 14 principal responsibilities for the protection of farmers, businessmen and consumers in the United States.

Seven responsibilities not quite so easily classified include the following. ECA must:

(1) Constantly review the economic situation in each of the participating countries.

(2) Obtain a statement of progress from each country each quarter and see that it is publicized within that country.

(3) Reimburse certain voluntary foreign relief agencies for the ocean freight they spend in sending relief to Europe.

(4) Reimburse the U. S. Post Office for ocean freight on relief packages sent by individuals in the United States to individuals in certain European countries to enable the Post Office to reduce parcel post rates on such packages. Also, we are to negotiate with the countries which receive grants asking them to use counterpart funds to pay local transportation charges, making further reduction in our parcel post rates possible.

(5) Encourage travel to Europe.

(6) Encourage circulation of American books, magazines, newspapers and motion pictures in Europe by reconverting local currencies earned by these media into dollars, to the extent of their dollar costs.

(7) The responsibility laid upon the Administrator for guaranteeing the loyalty of all employees is beyond that asked in any other department of the government. He is required to certify not only that no employee of ECA is a member of any of the scores of organizations listed by the Attorney General as subversive, but he is required to certify that no employee ever has been a member of any such organization. Some of Chicago's leading bankers, manufacturers and professional men under this ruling would be ineligible for employment with ECA.

That makes a total of 34 responsibilities and an astronomical number of headaches.

ECA Plans

Jim Donnelly asks me to tell you what our plans are. They are to execute these heavy responsibilities as quickly, as efficiently, and as economically as possible; so that by logical, consistent expenditures we may terminate the drain on the American economy, for which we have spent and are spending so many billions of dollars. Our plans are to use this money to help build a prosperous, independent, united Europe that may prove a mighty barrier between western civilization and the spread of the barbarous, insatiable communism of the Soviets. Obviously, there is material for hours of talk in these 34 responsibilities, the reasons for them and the plans for their execution; so I'll hurry on to the procedures.

First, I wish to emphasize three points:

(1) I am sure you all understand that we are not a procurement organization any more than a bank is. We finance purchases but we buy nothing; well, nothing except such things as pencils, forms, files, and red tape.

(2) We are not a relief organization. All the merchandise furnished by ECA is paid for by the consumer or user in Europe. Local currencies thus paid result in the counterpart funds. Out of these funds we take 5% for such of our mission or other expenses as are payable in local currencies. The remainder, as I explained, is used to promote recovery in that particular country.

(3) The initiative for any purchase must come from a participating country. The government or some citizen or corporation in that country must seek to have a project or purchase financed with dollars.

Now for the procedures.

A businessman in Europe wants Armour tinned meats or Crane plumbing, or Bell & Howell cameras, or wheat, or steel, or books. He goes to his government or central bank for dollar exchange. His government decides whether it has the foreign exchange resources, either from its own dollars or from ECA dollars, to permit this import.

If it is decided that dollars will be spent for the goods he wishes to bring in, an allowance for the dollars needed goes to make up part of a quarterly program submitted by that country to the Organization for European Economic Cooperation, OEEC, in Paris. This organization knows approximately how much ECA funds will be available during that quarter for the 16 participating nations and must screen all proposals received, not only on a basis of their contributions to European recovery but so that the total amount submitted to ECA in Washington may be within the total dollars available.

Programs developed by the OEEC are submitted to the ECA organization in Paris, operating under Mr. Harriman, and then transferred by him to Washington.

Screening of Programs

In Washington these programs are screened for each country by men who know its economies, and also by commodity experts. One division handles agricultural commodities, another industrial commodities. Each program is checked from the standpoint of availability of commodities, contribution to recovery and the various specific responsibilities placed upon us by the Congress.

Only after all this preliminary work is it possible to make up a list of the items to be financed by the ECA. This list is a part of the country's total import program as approved. On the basis of the ECA list, our Procurement Authorizations Division writes specific authorizations. When an authorization has been issued, a foreign government has the assurance that it will have the ECA dollars to sell to an importer so that he may buy a given quantity of a given material within a certain time, provided he meets certain conditions as to the price that is paid.

The American businessman has no contact with ECA. His contacts to get business are with the businessmen or importers in participating countries or with the government itself through its commercial attaches, or its governmental purchasing mission. By contacting any of these by mail or visit or through exporting companies, he may induce them to ask for his product in the first instance, or to consider it when they have received ECA authorization and are about to complete the purchase.

Private Dealings Urged

ECA expects to do everything possible to discourage purchases by government missions and to encourage dealings between private exporters and importers. For the time being, purchases of agricultural products in behalf of foreign governments will continue to be made largely by the Commodity Credit Corporation.

Many of our headaches result from the extreme difficulty of reconciling the injunction of the Congress to use private channels of trade with other injunctions to protect the American economy by price control, flour percentage, wool sources, the fertilizer provision, etc. Many of the latter responsibilities can be executed only by government buying.

When the United States exporter receives an order from an importer in a participating country, he must ascertain from the Office of International Trade, Department of Commerce, whether his product is under export control. Neither the ECA nor any other agency of the government will guarantee the granting of an export license simply because an importer in a participating country has received permission from his government to pay for a shipment with dollars. In granting export licenses for shipment to these countries, the Office of International Trade follows its normal procedure.

Because ECA is not a procurement agency and not a relief agency, but rather a financing and policy-making agency, Mr. Hoffman felt that the organization could be held to less than 500 people in Washington and less than a thousand abroad. This of course, is very small as government agencies go. War Assets, I understand, recently had 80,000 people. The Treasury has 80,000. Just after giving the above figures to Mr. Taber's exacting Appropriations Committee, Mr. Hoffman was informed he was about to inherit from Interim Aid several hundred people in Greece and China. He has since found that to maintain missions in 18 countries (the original 16, plus Germany and China), and to carry out our 34 responsibilities in Washington will take more than he originally estimated. Our organization, however, will be distinguished more by quality than by quantity of personnel. To do a top job we must have men who are tops. Let me tell you something about the men who have enrolled within the past three months to work for Paul Hoffman and ECA.

ECA Personnel

Howard Bruce, Deputy Administrator, has combined great ability as an industrialist and financier with civic service. He is best known as the Chairman of the Worthington Pump and Machinery Corporation and an executive or director of the American Casualty Company, Baltimore and Ohio Railroad, Glen L. Martin Company, U. S. Hoffman Machinery Corporation and the U. S. Lines. He was deputy to General Clay in the Pentagon and succeeded him as Director of Materiel for the Army Service Forces.

Our General Counsel, A. I. Henderson, is a partner in one of the nation's leading law firms, Cravath, Swaine and Moore, and has counselled some of the leading business and financial institutions in the United States.

It is not necessary to say much of Averell Harriman, former Chairman of the Board of the Union Pacific Railroad and an executive of other business organizations. He took with him to Europe, as his deputy, William Foster, who made such a success of his manufacturing business that he has been able to give his time in recent years to the Army, to the Committee for Economic Development, and to the Department of Commerce, where he served as Under Secretary.

One of our prizes is Eric L Kohler, Controller. We are told that we are the only governmental organization of our kind with a Controller. Most of Mr. Kohler's business life has been as an accountant in Chicago. When his name was suggested to Mr. Hoffman, it was coupled with the statement that as Controller for the Tennessee Valley Authority from 1928 to 1931, and later in the Office of Emergency Management during the war, he had been found exceedingly exacting and hard to satisfy. As Mr. Hoffman checked up with various people who knew Mr. Kohler, they reported that he was highly qualified as an accountant, but agreed that he was extremely exacting and critical and hard to satisfy Mr. Hoffman decided that he was just the man he was looking for and from what I have seen of him he is living up to specifications.

Richard M. Bissell, Jr., left a position as Professor of Economics at Massachusetts Institute of Technology to come with us. He served as Director of Ship Requirements in the War Shipping Administration for four years, and has worked as an Economist for the U. S. Steel Corporation and for Ford Motor Company.

Dennis A. FitzGerald, who heads our Food and Agriculture Division, is said to know more than any other man in the country about national and world-wide conditions in the field.

Samuel W. Anderson, his opposite in the Industry Division, is a banker from LaCrosse, Wis. with a wide experience as an investment adviser with such companies as Lehman Brothers, Goldman, Sachs & Co., Inter-State Equities Corp., etc.

Clarence Randall, whom you all know, is in Paris as steel consultant to Langbourne M. Williams, Director of Industry Division in Mr. Harriman's office. Langbourne Williams has had sensational success in business as President of the Freeport Sulphur Company. Another assistant to Mr. Williams is George W. Perkins of New York, Executive Vice-President of Merck & Co.

A brilliant group of businessmen have agreed to take charge of our missions abroad. John Nuveen, Jr., who surely needs no introduction in Chicago, is taking one of the toughest assignments the mission to Greece. A. E. Staley of Decatur, who also is well known to his group, will have charge of the mission to Norway. David Zellerbach of the Crown Zellerbach Company of California, one of the most successful paper manufacturers in the world, is in Rome.

Thomas Finletter, distinguished New York attorney, is in London.

Charles A. Marshall, another lawyer from New York, is taking the mission to Denmark.

John H. F. Haskell, long associated with the foreign departments of the National City Company of New York, is going to Sweden.

Roger Lapham, President of the American Hawaiian Steamship Company and Nonpartisan Mayor of San Francisco, has the mission to China.

To advise him on monetary and financial problems, including the very difficult matter of disposition of counterpart funds, Mr. Hoffman appointed a committee, headed by George Harrison, Chairman of the Board of the New York Life Insurance Company, and comprising Edward E. Brown, Chairman First National Bank, Chicago; W. Randolph Burgess, Vice-Chairman National City Bank, New York; Jay E. Crane, director Standard Oil Company of New Jersey; Joseph M. Dodge, President Detroit Bank, Detroit, and President American Bankers Association; Allan Sproul, President Federal Reserve Bank of New York; Walter W. Stewart, head Institute of Advanced Study, Princeton; John Williams, Harvard professor of political science and economic adviser to the New York Federal Reserve Bank.

If ECA does not achieve its inspired objectives, it won't be because of lack of devoted service of American citizens of ability and experience.

Task Is Without Precedents

Good men have come to us with a high sense of mission—not only without hope of glory or material reward, but with the certainty only of hard, frustrating work and violent criticism. Mr. Hoffman said in a recent talk:

"The task set by the Congress for the Economic Cooperation Administration has no precedent in history. By the use of American dollars, American food, American steel, coal, and other goods, we are to promote the recovery of hundreds of millions of people in many great nations from the disastrous aftermath of the world's most terrible war. We are to seek above all to have each of these nations cooperate fully with all the others. We are to help them to help themselves. We are to use our own resources to build up other nations agriculturally, industrially, commercially. We are to exert ourselves to the utmost to strengthen nations which in the past we have regarded as rivals and competitors.

"In other words, as the Soviets seek to share their slavery and starvation with the rest of the world, we seek to share our freedom and abundance. As Elizabeth Barrett Browning wrote:

> Happy are all free peoples, too
> strong to be dispossesed;
> But blessed are those among
> nations who dare to be strong
> for the rest!"

We are frequently asked whether we really expect to succeed. Mr. Hoffman's reply to that is that we must, that the alternative—the destruction of Western civilization—is so terrible we must not permit ourselves to contemplate it.

C. H. Hyams, Jr., Dies

Chapman H. Hyams, Jr., died at his home in New York City at the age of 78. Mr. Hyams, a graduate of St. Paul's School and Harvard University, was a former partner in the banking investment firm of Moore, Hyams & Co. He was a former director of the Times-Picayune Publishing Co., publishers of the "Times-Picayune," and a former director of the St. Charles Hotel Co., all of New Orleans.

Business Prospects Under the Coming GOP Regime

(Continued from first page)

No one would deny that. But I presume none of you gentlemen plan to go away on a long vacation. I presume you will not defer all the necessary decisions about purchases, sales, expansion, new machinery, new models, and all the other questions that must be decided. I presume you will go ahead as you always have, getting the best information you can to throw light on these uncertainties, and meeting each problem as it comes up.

So I decided to come this morning. I am not so hopeless about the possibility of making reasonable estimates about the future. I believe that the acknowledged uncertainties, instead of frightening us, challenge us to a more effective use of our common sense. I believe that it is possible for me to say some things here that will be helpful to you in your operations.

Normal Expectations

The uncertainties that so many people are worried about are twofold. The first involves the foreign situation—will it be stimulating or depressing? The second is the prospect of a new political Administration in the United States, after 16 years of Democratic Party rule. Let us forget both these uncertainties for the moment, and come back to them later.

What would be the normal expectation at this point in a postwar period?

What would be the normal expectation based on the evidence that we can find in the current business situation?

The first question implies that we can learn something from the past.

The second implies that we can learn something from the current situation if we will open our eyes and look around.

Similarity of Postwar Cycles

Since the Revolutionary War, there have been four major wars in the history of the United States. In each one, wholesale prices have shown the same pattern.

(1) A sharp advance, which has frequently reached its peak sometime after the war was ended.

(2) A sharp deflation, which has always leveled off after a year or two someplace between the inflationary peak and the prewar level.

The market similarity of these price patterns is no accident. There is a very definite reason for this consistency of price movements during war periods. Prices always go up when there is a shortage of supply, and a major war always causes a shortage of supply. Prices never go up under the pressure of scarcity without going too far, and the excessive advance breeds its own decline. That is the way it always has been. And it is the way it always will be until and unless there is created some new force more powerful than these forces arising from a major conflict.

I might add:

—that the price advance following this war has already lasted longer than any of the others;

—that the advance has been greater percentagewise;

—that prices are now higher than they have ever before been in the country's history.

Historical precedent, if it is worth anything at all, warns us to be cautious. It doesn't tell us when the peak in prices will come or how high it will be, but it suggests that the peak is not too far away, in terms of time or in terms of further price advance.

Current Business Trends

Still leaving the foreign and domestic political uncertainties to one side, what is there in the current situation that might confirm or nullify the pattern indicated by historical precedent? Let's make a brief list of the pros and cons.

On the inflationary side, there are the following:

(1) Present strength in many, but not all, of the durable goods industries.

(2) The effect of third round wage advances on prices. Although the third round advance is less general and less uniform than the first two, its effects on transportation and fuel costs, and on the price of the chief industrial raw materials, will be substantial.

(3) Continued high level of demand by consumers, which reflects not only the high level of income but the expansion of consumer credit and the fact that many families still have liquid resources.

(4) The ease with which money and credit could be further expanded. I don't by any means believe that bankers will abandon their conservative lending policies, but the fact remains that the base for a potential credit expansion exists in the large volume of government bonds still held by banks and institutions.

(5) The fiscal position of the government. I refer to the prospect that the large surplus of the past year, which has had a deflationary influence will disappear shortly, now that taxes have been reduced and Federal spending stepped up.

On the deflationary side, there are the following:

(1) Resistance of consumers to high prices. I place this first, since the American public is the number one market for the goods and services produced in the United States.

This resistance is significant because it shows the extent to which many families have exhausted their liquid resources, and the extent to which the purchasing power of their current income is diminished by high living costs.

(2) The downward trend of farm prices, and the prospect of agricultural surpluses. This too is quite important, since it was the advance in grain prices that sparked the inflationary rise in the last half of last year. I might add that the advance in meat and dairy products further reduces the real purchasing power of the urban consumer, without being great enough to offset the effect on farm income of lower prices for grains and other cash crops.

(3) The prospect of tighter mortgage credit, unless the special session of Congress restores Title VI or something very much like it.

(4) The limited number of real shortages that there are left, and the fact that business inventories continue to rise without much interruption.

I suppose this advance in inventories should really be listed among the inflationary factors of the moment. Certainly it reflects a margin of demand over and above the needs for consumption. I mention it as a deflationary force, however, because it indicates the extent to which current production exceeds the record high level of domestic and foreign consumption. I have met very few businessmen who did not show some concern about the rise in stocks, or who were not keeping a close watch on their own stocks. In the last few months particularly, the advance indicates that inventories have partially escaped the controls set over them by businessmen, usually because unit volume of demand failed to meet expectations.

The current picture represents a balance between inflationary and deflationary forces.

For the next few months, at least, it is my opinion that inflationary forces will tip the scale toward further price advances. But these will be much less uniform than they were last year, and many markets will continue under pressure.

It also seems to me that the array of deflationary forces is more powerful than it has been at any previous time since the war ended. Unless we can find something among the political uncertainties to offset them, I believe we must allow for the possibility that they will dominate the trend in 1949.

Foreign Situation

As I see it, the foreign situation is crucial for the business situation, particularly in 1949. Government spending for defense and foreign aid are among the most important of the present inflationary forces, not so much because of their magnitude as because they affect the sections of industry that are already in the strongest position. And in the durable goods sections, the extent to which the *expectation* of government orders encourages businessmen to enlarge their own orders is much more important than any defense orders that have been placed or will be placed in the near future.

We must distinguish between the foreign situation as it is and as it may seem to be, particularly in the months before the elections. There are several points to consider.

(1) First and foremot is the opinion held by most competent observers, that Russia is not ready for and does not want a war. I share this opinion completely. The chance of a major conflict in the next few years is, I believe, exceedingly small.

(2) But Russia regards the period of political campaigning in the United States as one of political vacuum, which provides her with opportunities that will not be available after a new Administration has been installed next January.

(3) And Russia will not be satisfied with her position in Europe unless she has some share in the control of the Ruhr.

It is not surprising that the potential war capacity of the Ruhr is the present keystone of European relations. It is not surprising that Russia is as much interested in this as France, Great Britain and the United States. And it is not surprising that Russia makes a powerful and disturbing effort to improve her position in this respect.

There are other important foreign questions, particularly in the Near East and the Far East; but they are less pressing at the moment, and I shall pass them over with the mere comment that working out agreements in these areas will probably be just as difficult during the next few years as working out an agreement in Germany is now. First in importance, however, is Germany, since it provides the crisis of the moment and since other settlements in other areas will be greatly influenced by the settlement in Germany.

The thing we must ask ourselves is this. Will the situation in Berlin and Germany, even if not leading to war, cause a further increase in defense and foreign spending next year large enough to maintain the present balance in favor of inflationary pressures?

My own guess about the answer to that question is in two parts.

(1) First of all, I believe the biggest war scare yet is in the making for the next month or two. I am sorry to say that I am afraid the President will not hesitate to use every possible pressure on Congress, now that it has been called back for political reasons.

But in contrast with the last war scare, which had a stimulating effect on business activity and durable goods markets, such pressure on Congress at this time seems more likely to have a depressing effect:

It will remind businessmen and the public that regulations and controls will be instituted if there is a war; that even the threat of a war increases the chance that this will happen.

And since many businessmen are already somewhat doubtful about the 1949 outlook, the fear that unnecessary controls extorted from an unwilling Congress may have an impact on prices and profits during the next six months may be depressing.

(2) Secondly, not believing that there will be a major conflict, I am forced to emphasize the possibility that an agreement about Germany will be reached when a new Administration is installed.

I am forced to conclude that the main stimulus to business activity from defense and foreign spending, actually and psychologically, may already have been seen. At the vcery least, it seems speculative in the extreme to count on either of these factors providing the same stimulus to business activity in 1949 that they provided in 1947 and in the first half of 1948.

Politics at Home

I see no reason to doubt that the Republicans will be elected in November. What effect will this have on business activity during the next four years?

It is as unrealistic to expect the Republicans to make immediate and drastic changes in basic government policies as it is to assume that they will make no changes at all for fear of bringing about a business readjustment. Many changes, however, will reflect differences in controlling circumstances rather than political philosophy, although the Party in power will claim the credit or receive the blame. Most important trends seem likely to be as follows:

Labor Policy—Clarification of the Taft-Hartley Act to reduce the amount of litigation is likely. Administration of labor law will give greater consideration to the claims of management.

Farm Policy — Despite the strength of the farm bloc in the Republican as in the Democratic Party, circumstances will ultimately force a reduction in current support prices. Otherwise, government owned surpluses will quickly exceed those of the depression years.

Money Policy—Philosophy will be more conservative and circumstances will encourage this trend. Funding of debt, more emphasis on economy, and gradually higher interest rates are to be expected. Money is probably cheaper now than it will be during most of the next decade. Long-term financing programs should be completed as soon as possible.

Tax Policy—Emphasis will be on encouraging venture capital. Further tax reductions will give greater consideration to corporations and stockholders. First tax bill, however, is more likely to make technical changes than to establish lower rates.

Price Policy—Decentralization of metal processing industry, planned or already accomplished, assumed the basing point system for steel prices. Legislation to reverse recent Supreme Court decision (cement case) seems likely.

Administration — Some of the most important changes affecting business will require no new laws; they will come from changes in personnel, policies and attitudes of the administrative agencies—SEC, NLRB, FTC, FCC, ICC, FHA, ECA, etc. Such changes will be less perceptible than the results of new legislation, but no less important. You gentlemen have had experiences with some of these Administrative Boards, and I am sure you appreciate how much of our law is now made by their rulings rather than by the specific voice of Congress.

I believe the conclusion is justified that any pressures exercised by strong business interests are likely to be more effective than during the past 16 years, when organized labor or consumer interests had relatively greater influence. In this sense, the climate should be more favorable for business.

One final word on the Republican attitude toward a downward price readjustment and a temporary reaction in business activity.

If I were making Republican policy, I would ask myself these questions. Will some such decline come sooner or later during my four year term, regardless of what I may do? Will the readjustment be easier if it comes quickly, and more difficult if it is deferred? Will I be better off politically to have it come early or to have it come late?

If the people who are making Republican Party policy do ask themselves these questions, and if their answers are the ones I would make, there is no doubt about what they will do. They will hurry it up and get it over with, so that the longer period of postwar prosperity will be firmly established before the next Presidential campaign gets under way four years from now.

Outlook for Office Machinery and Equipment

The first question here is how your industry stands in relation to the general outlook, particularly during the next year or two. How vulnerable will it be to any deflation that may follow the present inflation? Are its chances for sales and profits better or worse than those of other durable goods manufacturers?

I have very definite reasons for giving your prospects a better than average rating. Your sales prospects, I believe, are sustained by two factors:

(1) Your machinery is not a consumption product. In the economic sense, it is just as much production machinery as a lathe or a hydraulic press.

(2) It is used by customers whose own costs are high, for most of whom conditions are already becoming more competitive, and who will be under increasing pressure to keep down clerical costs despite the pressure for further wage increases for clerical help.

Your profit prospects during any period of price deflation, I believe, are helped by the fact that inventory losses should be less, both for manufacturers and dealers, than similar losses in other fields.

Manufacturers will be helped by the fact that raw material costs are small in relation to final product value.

Distributors will be helped by the fact that price fluctuations are usually less for office machinery than for many other products.

I do not mean by this that you will escape entirely the effects of any decline in prices and business activity that may occur within the next year or two. I merely suggest that you are in a position to weather the storm with less damage than many other industries in the durable goods field.

There are several other factors that strengthen this conclusion and give me a favorable view of your longer term outlook.

(1) In many cases, manufacturers have faster or improved

models, which should swell the volume of replacement demand for some time to come.

(2) Among your customers there is a greater tendency to make a greater use of internal statistics as the basis for a more scientific operation. I should like to stress the importance of this point. Much as you probably dislike the thought of government controls, you are indirect beneficiaries of some of the red tape they generated during the war period. Your customers in many cases learned the value of organized information about their own business. Some of this has been discontinued, and more of it will probably be eliminated under the pressure of cost reduction. But more business will keep better records than ever before, and they will need modern and inexpensive methods of keeping them.

There is a great deal more that I could say, about foreign markets, the prospects for different types of domestic equipment buyers, etc. But I have already prolonged what to me has been a great pleasure. Let me express the hope, therefore, that my views on these subjects, in which I have some qualification as an expert, will be a helpful supplement to your own special knowledge of your industry and its position.

Elliott W. Grimshaw With Garrett-Bromfield

DENVER, COLO. — Elliott W. Grimshaw has become associated with Garrett-Bromfield & Co., 650 17th Street, members of the Chicago Stock Exchange. Mr. Grimshaw was formerly President of E. W. Grimshaw & Co., Inc., of New York City. In the past he was an officer of J. G. White & Co., Inc.

Joins Republic Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Duane Ferrell has become associated with Republic Investment Company, 231 South La Salle Street. He was formerly with A. G. Becker & Co. and prior thereto with City National Bank & Trust Co.

Benjamin Mosser Dead

Benjamin D. Mosser, partner in the New York Stock Exchange firm of Clark, Dodge & Co., New York City, died of a stroke on July 20 at the age of 59.

W. Standley Stokes Dead

W. Standley Stokes, of Philadelphia, retired investment broker, died July 18 at the age of 54 following an operation.

With Smith, Barney & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John S. Wilson has become affiliated with Smith, Barney & Co., 105 West Adams Street.

With Selected Investments

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Aaron C. Clark has joined the staff of Selected Investments Company, 135 South La Salle Street.

Straus & Blosser Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harry S. Sax has been added to the staff of Straus & Blosser, 135 South La Salle Street, members of the Chicago Stock Exchange.

With John G. Perry

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Fred J. Clark and Philo L. Hewitt have become connected with John G. Perry & Co., Equitable Building.

The State of Trade and Industry

(Continued from page 5)

ter into the wage setup now prevalent in most large steel firms. The new raise brings the average hourly wage in steel to about $1.71 compared with about 85¢ an hour in 1940. Average weekly pay under the new rate will be close to $65 for a week of 38 hours compared with $60 a week before the raise.

Many steel fabricators think they will have to move closer to steel mills if they are to stay in business. The f.o.b. mill system with consumers paying the freight is giving some companies real concern. A report that Kelsey Hayes Wheel is considering moving to Pittsburgh recalls a similar frame of mind several years ago. The same company at one time had plans to establish a plant on Neville Island in the Pittsburgh district, having started negotiations with a Pittsburgh steel firm for property owned by the steel company.

Steel men face higher scrap prices. The so-called formula prices (similar to basing point prices which, in consequence of the Supreme Court decision, have been thrown out in the steel industry) are cracking in some areas. This type of pricing went by the board in Chicago this week where heavy melting steel again staged an increase. The average boost there was $1 a gross ton. This moved "The Iron Age" scrap composite price up 33¢ a gross ton to $41.33 a gross ton.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 93.1% of capacity for the week beginning July 19, 1948, an increase of 2.3 points from last week. A month ago the indicated rate was 96.2%

This week's operating rate is equivalent to 1,678,100 tons of steel ingots and castings as against 1,636,600 tons last week, 1,734,000 tons a month ago, 1,629,200 tons, or 93.1% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT RECOVERS, AFTER HOLIDAY DROP

The amount of electrical energy distributed by the electric light and power industry for the week ended July 17 was 5,197,458,000 kwh., according to the Edison Electric Institute. This was 437,142,000 kwh. in excess of the output for the preceding week (which included observance of the July 4 holiday) and exceeded the turnout for the week ended July 3 by 31,633,000 kwh. The current figure was also 465,024,000 kwh., or 9.8% higher than the production for the week ended July 19, last year, and 904,178,000 kwh. in excess of the turnout for the corresponding week in 1946.

CAR LOADINGS DECLINE SLIGHTLY IN HOLIDAY WEEK

Loadings for the week ended July 10, 1948, totaled 755,760 cars, according to the Association of American Railroads. This was a decrease of 1,606 cars, or 0.2% below the preceding week; 51,357 cars, or 6.4% below the corresponding week in 1947 and 139,322 cars, or 15.6% below the same week in 1946.

AUTO OUTPUT IN UNITED STATES AND CANADA

Production of cars and trucks in the United States and Canada rose to 118,999 units from 98,700 (revised) units the previous week, according to "Ward's Automotive Reports." Production in the earlier week was curtailed due to July 5 holiday in the United States in observance of Independence Day.

Output in the similar period a year ago was 103,091 units and, in the like week of 1941, it was 109,912 units.

This week's output consisted of 85,312 cars and 28,557 trucks made in the United States and 2,990 cars and 2,140 trucks made in Canada.

Drastic cutbacks in production are in prospect, says "Ward's," should current supplier strikes be prolonged.

The Campbell, Wyant & Cannon strike, it was stated, has forced the suspension of assemblies of Ford's light heavy trucks and is threatening to stop Lincoln and Hudson assemblies soon. Other strikes that may affect car and truck makers' schedules before long are those at Timken-Detroit Axle Co. and Monroe Auto Equipment Co.

BUSINESS FAILURES SHOW LITTLE CHANGE

Commercial and industrial failures rose slightly from 88 to 91 for the week ending July 15, reports Dun & Bradstreet, Inc. This number exceeded the 63 casualties which occurred in the comparable week of 1947, but was only about one-third as large as that for the corresponding week of prewar 1939.

An increase appeared among failures involving liabilities of $5,000 or more; a total of 81 concerns succumbed as compared with 71 a week ago and 55 in the corresponding week last year. Small failures with losses under $5,000 fell from 17 to 10 which compared with 8 a year ago.

Manufacturing failures at 22, wholesaling at 13, and retailing at 35, showed little variation from the previous week. A decline from 13 to 9 was reported in construction, while commercial service failures at 12 were twice as heavy as in either last week or in the comparable week a year ago.

One-third of the week's total casualties were concentrated in the Pacific States where 31 concerns failed compared with 22 in the preceding week and 14 last year. In the Middle Atlantic States, failures were at 24, one below both last week and a year ago. Only one other region, the New England States, had as many as 10 business failures although moderate increases prevailed in most areas.

INDEX LIFTED BY SHARP RISE TO NEW ALL-TIME HIGH

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved sharply higher last week, mainly due to soaring meat and livestock prices. The index rose 3.4% from $7.12 on July 6, to reach a new all-time high of $7.36 as of July 13. The current figure exceeds the previous peak of $7.28 set on Jan. 13, last, by 1.1%, and it stands 12.9% above the $6.52 recorded on the corresponding date a year ago.

Commodities that rose during the week included flour, oats, beef, hams, lard, cheese, sugar, cocoa, eggs, steers, hogs and lambs. Declines were shown for wheat, corn, rye, barley, cottonseed oil and beans.

WHOLESALE COMMODITY PRICE INDEX CONFINED TO NARROW RANGE IN LATEST WEEK

The Dun & Bradstreet daily wholesale commodity price index moved in a narrow range last week at a slightly higher level than in the previous week. The index figure closed at 283.88 on July 13, as compared with 283.16 a week earlier, and with 264.02 on the corresponding date a year ago.

Trading in grain futures on the Chicago Board of Trade broadened considerably last week, with corn and wheat furnishing the bulk of the activity.

Led by corn, all grains suffered declines for the week, reflecting reports of bumper crops in many sections of the country. A record yield of 3,328,000,000 bushels of corn was indicated by the Department of Agriculture in its July 1 crop report.

The estimate of total wheat production—1,242,000,000 bushels—displayed a slight drop from last year's record yield. Wheat prices showed only moderate declines, despite a record movement of both new and old wheat to market. Cash wheat was more active than for some time, and government buying was reported in good volume.

Substantial bookings by chain and independent bakers featured the flour market in the early part of the week.

Lard prices were steady, and both domestic and foreign demand was comparatively slow and stocks were said to be accumulating. Fresh meats and livestock continued active and very strong. Hog prices at Chicago sold up to $30.50 per hundredweight, equaling the all-time record high set last September.

Continuing the downward movement of the past six weeks, cotton prices in leading markets again lost ground this week.

Spot quotations at New York dropped to the lowest levels since mid-March. Highlighting the week's news was the cotton acreage report issued by the government which estimated the area under cultivation at 23,653,000 acres, or a gain of 10% over that for the previous season. The increase was slightly less than the trade had anticipated, causing a temporary firming up of prices after which the downward trend was resumed. Some buying for export was noted during the week. Inquiries for cotton were more numerous but mill buying remained small and some mills were said to be offering cotton for sale. Bearish influences on the market continued to be the prospects for a relatively large yield of the staple this season, and further reports of curtailment in mill operations.

In cotton textile markets, prices generally remained firm. Sales activity picked up a little, particularly for some constructions of sheetings and osnaburgs. Print cloth sales were only fair.

Transactions in the Boston raw wool market were unusually quiet during the past week, due to holiday and vacation influences. In the Western States buying was reported at a standstill, with very little desirable staple wools available. Quietness also ruled in foreign wool markets, but prices continued firm. Trading in the wool tops market was slow during the vacation period and prices remained on the same level as a week ago.

RETAIL AND WHOLESALE TRADE SHOW SLIGHT CHANGE FROM PREVIOUS WEEK'S VOLUME

There was a mid-Summer lull in consumer buying during the past week as volume fell slightly below that of a week ago. Total dollar volume was slightly above that of the corresponding week a year ago. Many consumers continued to avoid high priced articles, but numerous clearance sales of seasonal goods attracted favorable attention, says Dun & Bradstreet, Inc. Hot weather in most sections of the country resulted in a large demand for vacation and travel items. Collections generally were prompt.

Summer apparel continued to interest consumers, with clearance sales offering some items at considerably reduced prices. Cotton dresses and swim suits for both men and women remained in large demand. Sales of men's clothing declined slightly during the week; men's furnishings continued to be widely sought. Some early promotions of zip-in lined Fall coats at moderate prices met with favorable consumer attention.

Many housewives restricted their purchases of fresh meats as prices increased considerably in almost all sections of the country. The demand for cold cuts, dairy products, and other meat substitutes increased somewhat.

Small air conditioning units and electric fans were sought by many consumers during the past week; the demand for radios decreased moderately. Building supplies continued to be purchased in large quantities; housewares and garden equipment sold well. Sales of automobile accessories remained at a very high level during the recent period.

Retail volume for the country was estimated to be from 6 to 10% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages:

New England, 7 to 11; East, 9 to 13; South, 6 to 10; Middle West, 10 to 14; Northwest and Southwest, 5 to 9, and Pacific Coast, 2 to 6.

Wholesale buying during the past week remained steady at the slightly reduced level of a week ago, according to Dun & Bradstreet, Inc. Total order volume was slightly above that of the corresponding week a year ago. Buyer attendance at wholesale markets increased substantially above the pre-holiday low of last week. Seasonal items continued to be in good demand, but offerings in some lines were limited. Many buyers stressed short-term deliveries on orders for Fall merchandise.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 10, 1948, decreased by 4% from the like period of last year. This compared with an increase of 28% in the preceding week. For the four weeks ended July 10, 1948, sales increased by 13% and for the year to date by 7%.

Retail trade here in New York City during the past week was highly active, with seasonal merchandise being in good demand.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 10, 1948, decreased 10% below the same period last year. This compared with an increase of 37% in the preceding week. For the four weeks ended July 10, 1948, sales increased by 12% and for the year to date by 6%.

The Increased Cost of Corporate Living

(Continued from page 13)

Washington and New York, for 10 hours work there is 46.2 hours' pay, or 4.62 days' pay per work day.

"Other rules are devices to create work. The new rules would limit freight trans to 70 cars and passenger trains to 14. Of the 164 bills on limiting train lengths introduced in state legislatures from 1925 to 1945, only four were passed. In three states they were never enforced, and in Arizona the law was declared unconstitutional. The unions are now trying to obtain the desired result through bargaining after having failed in the legislatures and the courts.

"The problem needs a fundamental approach. Labor is defined as bodily exertion directed to supply society with the required material things and services. Wages are defined as pay for work or service. Under feather-bedding there is neither labor nor wage in the fundamental sense." — "Chicago Sunday Tribune," 5-9-48, by Elisha M. Friedman, New York Consulting Economist.

Inadequate Depreciation and Obsolescence Charges

Under the investment punishing conditions of the thirties, a deficit in the purchase and operation of new machines and tools was created which, according to the Tool Owners Union, now requires $25 billion new investment per year for the next five years if we are to overcome it.

The critics of our present system are shouting that our $17,400,000,000 of 1947 corporation profits were excessive. You simply cannot make $17 do the work of $25 under prevailing conditions.

As a further illustration of the inadequacy of depreciation rules of the day, let us say that a company bought a truck in 1938 for $4,000. The law permitted 25% depreciation per year, so that in 1943 the $4,000 had been written off. The money, for conservative accounting purposes, was deposited in a separate account. No new trucks have been available until recently. When the company goes into the market for its replacement truck, the price for an equivalent model as to capacity, body type and horse power has been increased to $7,000. Where is the additional $3,000 to come from?

Need for new executive talent —Personnel Managers and (or) Labor Negotiators, Public Relations Vice-Presidents, and Proxy Solicitors.

Expendability of present executives—Labor Harassment—"Killing the Goose."

Increased cost of office equipment—typewriters, adding and bookkeeping machines, stationery, printing, advertising, and postal rates—1c or 50% increase in local postal rate.

Increased freight and passenger rates.

Increased truck, plane and automobile prices, oil and gas, meals, hotel rooms, local city sales taxes. Most of these latter items ave a direct bearing upon the increased cost of sales, or moving the product to the market.

Increased Cost of Building

These same problems arise in connection with the increased cost of building. The American Appraisal Company publishes a monthly bulletin with charted figures and tables. The latest one I have is dated March, 1948. Using 1913 as a base of 100, current index for March 1948 is 475, an advance of 123 points, or 35% since decontrol. Freight and wage increases since Jan. 1, 1948 are held responsible for most recent increases. Materials likewise show substantial price rises, such as: brick, 74-82%; lime, 20-56%; sand, 43 to 71%; gravel, 38 to 61%; cement, 45-60%; lumber, 258-264%; steel shapes, 31-33%; sheet metal, 24-26%.

For the same period, the Aberthaw Index of the cost of industrial building increased to 309.6.

In this same room, in early May, I heard Mr. Ray Wenzlich, St. Louis real estate and building economist, on the past history and future outlook for building. He gave costs on a 6 room model frame house in St. Louis, upon which costs are re-computed monthly. His figures follow:

Year	Amount
1914	$3,836
1919	7,872
1932	4,480
1939	5,894
1948	13,894
Present	15,300

He guesses that the bottom of the next real estate and building depression may be reached in mid-1955, when the cost to build may be $10,300.

Another appraisal service, E. H. Boeckh & Associates of Washington, D. C., publishes "Building Costs," a monthly bulletin for its users of their Manual of Appraisals and Index Calculators. Their April, 1948, issue contains 29 area indices on residences, apartments, hotels and office buildings, commercial and factory buildings. This latter group is further sub-divided into frame, steel, brick and wood, brick and steel, and brick and concrete. Average prices for 1926-1929 equal 100. Index covers labor and material only. Comparisons are between 1940 average, 1947 average, and April 1, 1948. A cross section for commercial and factory buildings follows:

	Frame	Steel	Brick Wood	Brick Steel	Brick Concrete
Atlanta—					
1940 av.	86.3	100.1	91.5	97.3	98.4
1947 av.	187.5	150.1	174.9	158.0	157.1
April 1948	204.0	168.8	190.3	175.3	175.3
Chicago—					
1940 av.	121.8	118.5	113.4	124.2	128.4
1947 av.	210.5	163.3	185.0	179.6	184.5
April 1948	230.9	173.9	200.4	191.6	196.2
San Francisco—					
1940 av.	99.6	112.2	108.2	108.1	120.4
1947 av.	196.1	174.8	189.3	186.9	186.8
April 1948	218.1	190.0	213.0	204.4	209.5

I am indebted to Dun & Bradstreet for another set of figures that serves to highlight the Increased Cost of Corporate Living. The figures are set up in a table showing the distribution of proceeds listed for 1929-1947 business gross output. Based on Department of Commerce figures, they are partially estimated from incomplete data:

DISTRIBUTION OF PROCEEDS OF BUSINESS GROSS PRODUCTION

Paid by business to individuals—	1929		1930		1947	
To hired labor	$43.7	46.4%	$38.0	47.9%	$104.5	50.5%
Unincorporated enterprises—						
Non-farm	8.5	8.8	6.8	8.6	21.8	10.6
Farm	5.7	6.1	4.5	5.7	18.0	8.7
Rents	5.8	6.2	3.5	4.4	7.2	3.5
Net interest	4.3	4.6	3.3	4.2	3.3	1.6
Dividends	5.7	6.1	5.7	4.7	6.2	3.0
Business transfer payments	0.6	0.6	0.5	0.6	0.5	0.2
Total paid to individ.	74.1	78.8	60.3	76.1	161.5	78.1
Paid by business to government—						
Indirect taxes	7.0	7.4	9.4	11.8	16.6	8.0
Corp. profits tax	1.4	1.5	1.5	1.9	10.8	5.2
Total paid to govt.	8.4	8.9	10.9	13.7	27.4	13.2
Retained by business—						
Undistributed corporate profits	2.9	3.1	0.4	0.3	6.3	3.0
Capital consumption allowance	8.6	9.1	7.9	10.0	11.8	5.7
Total retained	11.5	12.2	8.3	10.5	18.1	8.7
Adjustments	0.1	0.1	0.0	0.0	---	---
Business gross product	$94.1	100.0%	$79.3	100.0%	$207.0	100.0%

Note—Billions of $ and % of total.

To the foregoing list might be added many more items. Suffice it to say that basically the Increased Cost of Corporate Living has been caused by increased wages, raw material cost, higher taxes, and an increased money supply with its decreased value. Between 1933 and 1948, our money supply increased 400% in quantity, with a 37% decrease in value. It is estimated that our dollar has a present worth of 63 cents. There are those who now say, only 50 cents. This is partially the result of war, with its wake of destruction. and is the unsatisfactory end result of a managed economy.

Challenges to Small Business Survival

Small business today faces a number of challenges for its survival. The one most pressing is that of the wage-price spiral. In my home community of Lancaster, Pennsylvania, girl graduates of the Commercial Course High School Class of 1948 may start their stenographic careers at $40 per week. Boy graduates of this year's class may start their business life as common laborers at $1.00½ per hour. This condition has developed because of a combination of union pressure and a limited supply of new workers. Since this was written, a 10 cent per hour increase has been granted the union! Service and retail establishments, professional offices and small businesses of manufacturing and other types are having a difficult time to recruit new help or hold present workers at present rates.

It is a pet personal theory that much of our present difficulty stems from the fact that the labor negotiators and top officials of our big corporations were not sufficiently interested financially in the common stocks of their companies to foresee and feel the effect of these rate increases. Furthermore, labor leaders were at fault in demanding increased wages before the corporations had earned enough to meet these increases. This led to a pricing formula that would assure the company's ability to pay, and supplied the labor leaders with further ammunition to shoot for still more wage increases.

(This brings up the topic of conflict, and I would like to depart from my subject long enough to tell you about two Scotchmen, each driving his car toward the other in the City of Edinburgh. For some strange reason they experience a head-on collision, though fortunately going quite slowly. Each jumped from his car and rushed toward the other to place the blame. One of them carried a flask of Scotch. He offered a drink. The other quickly accepted and quaffed a heavy one. He returned the flask to its owner who promptly returned it to his pocket. The one who had just partaken asked if the owner of the Scotch wasn't going to take a drink, too. The reply was as follows: "Not until the police have determined the cause of the accident.")

You recall the Warner & Swasey 1A turret lathe remarks. Along the same lines, I give you additional data such as Chrysler's predicament wherein they report the original cost of all buildings machinery and equipment now owned and used as $210,384 362. Estimated replacement cost at today's price level would be $352,000,000. But they have accumulated depreciation reserves of $130,513,952 and fall far short of representing an adequate accumulation to cover the cost of their replacement at inflated prices The U. S. Steel Corporation complains that a ton of pig tin which cost $1,000 in 1940 is up to $1,900; a large electric motor cost $177,000 in 1940, and is now $265,500; a 20-ton standard mill crane cost $59,000 in 1940, and is now $80,000. In 1940 a new blast furnace cost $3½ million; they received a 1948 bid to build a similar one at $7 million.

Bethlehem Steel estimates that it would take between two and three times the money to replace their estimated $980 000,000 plant values at present prices. They have spent $105 000,000 for expanded facilities, although after dividends. their 1947 profits, an all time high, totaled $26,000,000.

A mile of pipe line that cost $12,000 to lay in 1939, is now $30,000.

Another challenge to small business is that of so-called reciprocity activity of our larger enterprises. For example, the large agricultural implement companies now insist that their dealers buy their binder twine from the implement manufacturer, to insure continued machine deliveries. A large steel company recently solicited an order from a contractor for concrete reinforcing bars on the basis that bars would be delivered only if the contractor would also purchase his wire rope requirements from the steel company. In the days of the well remembered liquor shortage. such arrangements were called tie-in sales. You Scotch drinkers may still have some rum in your cellars that you didn't want. but were told to buy if you wanted Scotch. It used to be two cases of rum to get one case of Scotch. These practices leave a sour taste in everyone's mouth, and we should all resist them with all possible means at our disposal.

No talk of this nature would be complete at this season without at least one political reference. I have a beauty for you, clipped from a Portland, Oregon, paper under date of May 14, 1948. It was a brief account of the then current Chrysler strike, which read about as follows: "I am the first candidate for President ever to speak to pickets on strike. I'm glad you are doing something to get the profits of the automobile industry which rightfully belong to you." Guess who was quoted? Phooey! Since when did corporate profits rightly belong to the workers? In my school and college days, the book said the stockholders owned the business. Let's return to the thinking of those earlier days, and more important, perhaps, select as candidates and elect as lawmakers men and women who will work in our interests as patriots and not as politicians! Utopian? Sure, but if we will devote more energy, time and thought to our local state and Federal Government problems, it will lead us directly and quickly, to better government.

Strikes

It is not possible to accurately compute strike costs for corporations. A commentator recently estimated workers' costs from strikes as follows:

Steel—(750,000) workers, $207 lost wages. (3 years of increase gained, to make up loss.)

Electrical appliance workers $436 lost wages; coal miners—$539 lost wages; automobile workers—$525 lost wages. (5 years of increase gained, to make up loss.)

The United States Department of Labor estimates that in 1947 there were 3,600 work stoppages which involved 2,200,000 workers and represented 35 million man days of lost work. These figures for 1946 were 4,985 stoppages, 4,600,000 workers 116 million man days at work lost. They also state that three out of every five 1947 work stoppages were concerned with wage disputes.

Other Costs

In order to include figures on other activities besides manufacturing there are here given data on retail operations, and banking.

Retail operating expenses rose from an average of 28.6% of sales in 1946 to 29.3% in 1947. Operating expenses per transaction rose 10%—from $1.19 in 1946 to $1.31 in 1947. Salaries of sales people increased to 6.3% of sales in 1947 vs. 5.9% in 1946. Number of transactions per sales person declined 9% from 7,422 to 6,784 in 1947.

Banking costs are climbing sharply. Salaries and wages increased 20% in the past year, and other operating expenses 16%. Since 1939, salary cost to handle a banking transaction has increased 100%, including a 40% rise in clerical salaries and a 30% decrease in clerical efficiency. Cost of customers' checks has increased 41%, check book covers are up 183%, statements 70%. Equipment costs are up an average of 34% and building costs 174% in the past eleven years. These are figures from the May 20 edition of the Los Angeles "Times."

In his pamphlet titled, "High Prices," Dr. F. A. Harper of the Foundation for Economic Education says, and I quote. "In the preceding discussion of corporations, their profits were found to be innocent as a cause of high prices. It was found that profits after taxes, compared with pre-

war, rose less than the income of either corporation employees or of other employees, less than the income of farmers, or other non-incorporated business, and far less than the cost of government."

History Repeats Itself

In the period of 1810 to 1814, England was having the same kind of difficulty we are having today. It was an earlier postwar period and money circulation had expanded greatly. A series of unfavorable harvests led to heavy wheat imports and war requirements absorbed tonnage for noncommercial purposes. The period 1810-1814 shows the highest level of prices, the greatest depreciation of the exchange, largest premium on precious metals, highest level of extraordinary foreign payments and of governmental expenditure abroad, highest level of total advances of the Bank of England, the aggregate largest deficit over any five-year period, the largest unfunded borrowing. While prices were falling from 1810 to 1811 and rising from 1811 to 1814, premium on exchange was rising from 1810 to 1811 and falling from 1811 to 1814. Again, in 1816, sterling was at par, but the circulation of Bank of England notes was almost at its maximum. All of these superlatives, of course, refer to events up to that time.

At this point I should like to digress a moment. At the Press luncheon yesterday, I had the good fortune to be seated besides Phil Hanna, noted Chicago columnist. I quoted the foregoing figures to him and he expressed keen interest. His comment was that England did not go Socialistic for 150 years after that period so that there might still be some hope for the United States.

All through the course of history people have been searching for the philosophers' stone, that elusive thing that was supposed to enable the finder to turn stone into gold. Higher wages and shorter hours are the current effort. We have had our John Laws, Louisiana and Mississippi Bubbles, Fiat Money Inflation in France, the Florida Land Boom, all monuments to man's gullibility, and zeal to profit without effort.

What About the Future?

The cause and effect of Increased Cost of Corporate Living have been discussed. Now, what about the future? What can we, as small business men, do to help to preserve our present system, and to deflate our country and the world to a lower price base? The answer has appeared many times in print since V-J Day. It is more production. Better understanding of fundamental economics on the part of labor and management would help a lot, too.

A representative of one of our larger unions called upon me for a contribution to a fund they were raising to bring management and labor closer together. This was the union whose head had contributed much to the failure of the President's Labor-Management Conference of December 1945. After a lengthy discussion this union representative admitted to me that, in his opinion, the country would be very much better off if we could return to the 1937 level of prices and wages. Only through a better understanding of the past can we look forward to a safe and sane future. Such an organization as the Committee for Economic Development of which Mr. Paul G. Hoffman was the head, can contribute much to the stability of our economy by educating our business managers and guiding their thoughts along the proper channels.

A further reduction in taxes through the transfer of non-productive government workers to productive business assignments would also contribute to our future stability. It should also result in less government in business.

A planned annual reduction in our Federal debt by a minimum of $2,500,000,000 would also appear to contribute to sound fiscal practice.

Development of minds and men who can cope with the economic and diplomatic problems of our day and the days to come, is another must.

Development of laws or practices that will make it impossible for such people as John L. Lewis to hamstring our entire economy is another challenge that must be met and solved.

Last, and most important of all, if Count Bernadotte or some other peace and pace making individual could be persuaded to show Stalin, Molotov and the other Russian leaders the way to peace and prosperity, this country and the world might enjoy a long era of such life as was envisioned in the Scriptures when the words, "swords into plough shares" were first written.

"Realistic" Exchange Rates

(Continued from page 2)

weakness with the calculations is that price indices in many countries are distorted by price subsidies, rationing, direct controls, and other interferences with the free operation of the price system. Consequently the price indices in these countries may generally be presumed to understate the price rise, and thus lead to a considerable overestimate of the present-day value of the currencies concerned. This effect is magnified by the fact that many commodities included in the indices may be simply unavailable, so that more expensive substitutes must be used, and by the fact that no adequate allowance can be made for such things as deterioration of quality and the increased cost which results from delays in supply and other interferences with production.

A third technical criticism of these particular computations derives from the fact that, in strict theory, the base year or the base period should be one of approximately long-run equilibrium. This means, among other things, that there should be little or no unemployment, and that the factors of production should have been distributed in approximately the optimum manner among the various productive industries. It is clear that the year 1937, which was used as a base in the computations just made, was far from satisfying these conditions, and consequently the results may be subject to serious distortion. Any attempt to compute a really satisfactory base for these calculations would involve a tremendous amount of research and a good deal of personal judgment and estimation on the part of the research workers concerned, if indeed it would be possible at all. Nevertheless one may hazard a guess on at least one distortion that probably results from the particular base year chosen: prices of foodstuffs and raw materials in 1937 were probably much too low relative to other prices in terms of the opportunity cost involved in producing them. Since these prices have risen much more than other prices in the meantime, purchasing power parity computations probably overvalue the currencies of industrial countries and undervalue those of raw material producing countries at the present time.

Let us turn now to the more fundamental criticisms of purchasing power parity. It has long been recognized that price data in particular countries at a particular time are not a satisfactory basis for computing an equilibrium exchange rate. If attention is limited to the prices of commodities which are actively traded in world markets the computation will generally appear to confirm existing exchange rates, because price arbitrage will insure that quotations of such goods in all countries will be approximately equivalent when transportation costs are taken into consideration. If, on the other hand, the computation is made in terms of the prices of domestic goods, then commodities (such as houses) which cannot enter into international trade, or can only enter very indirectly, may distort the results. If, finally, some other group of prices is used, they can be nothing more than a chance or arbitrary mixture of international goods and domestic goods, and the exchange computations will be equally questionable.

The disturbing effects of these influences can be minimized by the procedure of comparing the changes of prices over time, as was done above, instead of making a comparison of absolute prices at a particular time. Even this does not entirely get rid of these difficult problems, however, for we still must decide what type of price index to use. Wholesale price indices are usually heavily influenced by bulk commodities which are traded on world markets—specifically, raw materials and foodstuffs. This means that wholesale price indices are not entirely reliable, since they will tend to move in the same direction and to about the same extent in different countries. Indices of the cost of living are often used for the calculation; yet such indices are subject to the opposite criticism, namely that they are influenced by non-exportable goods which could not be expected to affect the exchange market very directly. Still a third type of index sometimes used is one relating to cost of production — for example, wages. Yet these costs vary from industry to industry within the same country, and they form the very basis of international trade. Indeed they are in part determined by world trade itself, and to a considerable extent reflect the ability of the country to earn a higher real income by specializing in certain products for world markets. On balance the cost of living index probably gives the best results, since normally all domestic prices move pretty well together and there is usually little danger that non-tradable goods will seriously distort the indices. The question of the choice of index to use often proves less important in practice than these arguments would lead us to expect, however; it is frequently found that the computations turn out surprisingly close regardless of which of the three indices is used.

In using changes in relative prices to calculate changes in exchange parities, however, we tacitly make two important assumptions. The first is that the economies compared were approximately in equilibrium in the base period; as already noted, this may or may not be a valid assumption in any particular case. The second is that "other things remain equal"—that no fundamental change occurs in the underlying economic relationships. For it has long been recognized that there are important qualifications in any practical application of the theory: many qualitative changes in the economic situation affect the exchange market, in addition to the matter of relative prices in the various trading countries. Capital movements (especially the flight of capital from a country for any reason), changes in technology, changes in tariffs, changes in transportation costs, or the destruction of productive capacity as a result of war or some other catastrophe would be examples of such qualitative changes.

These criticisms of purchasing power parity unquestionably have a certain validity, yet they do not by any means discredit the theory. They do emphasize the limits within which it must be applied, but further than that they amount to no more than saying that purchasing power parity is an axe, not a razor: with it you can hew out a fairly good idea of what the exchange rate should be but you cannot compute the proper rate to the last decimal place. Purchasing power parity computations are especially useful when the underlying disturbances are of a monetary character, as in countries undergoing inflation; hence they do have a certain applicability in many countries today.

Recent theoretical developments enable us to make a better integration of the purchasing power parity theory with other factors operating on the balance of payments. Nothing very new is added, but the relationships are tidied up a bit and it becomes easier to deal with situations where "other things" are **not** equal. More specifically, a country's exports are treated as being determined by (1) prices in that country relative to those abroad, (2) the level of incomes abroad, and (3) a number of other factors that may be lumped together as "structural" factors in the economies of the countries concerned. Similarly, imports are determined by (1) relative prices, (2) incomes at home, and (3) "structural" factors. Little need be said about the importance of domestic income levels in determining the amount of imports, nor about the importance of income levels abroad in determining exports, for these matters are much discussed nowadays; it is enough to observe that this constitutes the most important innovation in this presentation. As for the so-called "structural" factors, these are nothing more than the "other things" which earlier discussions treated as remaining unchanged: tariffs, transportation costs, technology, and so on. It is a sort of basket item — anything that isn't included specifically is covered here.

Our discussion has now rambled rather far afield from its starting point. What does it all add up to in terms of "realistic" exchange rates? We soon saw that prices in the various free and black exchange markets are a poor guide to "realistic" rates in any convincing sense, and the paradoxes which crude purchasing power parity computations yield also made us skeptical of their usefulness in the present situation. Our theoretical rambles, alas, only support our skepticism without offering any practical alternative approach: the "structural" factors have changed so much that simple purchasing power parity computations are inadequate, but the structural changes do not lend themselves to numerical treatment. Is there nothing more to be said?

There is something more to be said—something that still doesn't permit any very precise rate computations, but that does restore some significance to purchasing power parity computations and does help put some of the complicating factors in better perspective. We may begin by noting the the need to distinguish between (1) **equilibrium in the foreign exchange markets,** in the sense of an immediate balance between the demand for and the supply of foreign exchange with no tendency for the country's international reserves to increase or decrease, but with no other qualifications regarding the country's economic situation, and (2) **equilibrium in the balance of payments,** in the sense of a similar balance between demand and supply in the foreign exchange market, but with the further assumption of something like a long-run equilibrium position of the whole economy, including (among other things) an optimum allocation of resources and a net capital inflow or outflow determined solely by consideration of relative profitability of domestic investments and foreign investments. These concepts are constantly confused in discussions of exchange rates. Undoubtedly some exchange rate can always be found that will give equilibrium in the first sense, but equilibrium in the second and more fundamental sense will usually require much more than a mere financial maneuver such as a shift in exchange rates. Furthermore the rate that would now give equilibrium in the first sense for a given country might be very far from the rate appropriate to equilibrium in the second sense—in other words, the short-run equilibrium rate might be very different from the long-run equilibrium rate. The reasons should now be obvious: they may be summarized by saying that the "structural" factors affecting the balance of payment have changed markedly compared to the situation at the end of the 1930's. Some countries have lost foreign investments, suffered destruction or depletion of productive plant and equipment, experienced shifts in the internal distribution of income, had their commercial relations disrupted, and so on. Almost all the world is extending itself either to repair direct or indirect war damages or to develop its productive resources, which means sacrificing present consumption for capital investments designed to restore or raise future incomes to higher levels. Inevitably these efforts put added strain on the balance of payments, due to exceptional requirements for foreign goods and for other reasons. Undoubtedly, however, a large part of these reconstruction demands will be non-recurring; when they taper off, therefore, a very different exchange rate would be set in a freely operating exchange market.

It may well be that the best method of fostering a country's reconstruction and promoting long-run equilibrium in its balance of the foreign payments would be to let the foreign exchange rate be set in a free market continuously, and to rely largely on the forces of the market to allocate the uses of foreign exchange at all times; or it may be that an effort to hold exchange rates nearer to a long-run equilibrium level is better, even though this requires exchange regulations and other direct controls during the period of reconstruction. Each policy has its advantages and disadvantages, each has its proponents and opponents; it is beyond the scope of this article to attempt an answer. Whatever is the answer, however, it must be logically worked out and must be consistent with the over-all economic situation of the country concerned. Uncritical talk of "realistic" exchange rates tacitly assumes that freely fluctuating rates are preferable without offering any rational argument in their favor; it obscures rather than clarifies the issue.

Business Man's Bookshelf

Public Finance of Air Transportation — Richard W. Lindholm—Bureau of Business Research, Ohio State University, Columbus 10, Ohio—cloth—$2.75.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market continues to be largely a professional affair, with prices moving not too decisively in either direction on light volume. . . . The trading fraternity seems to be trying out the market in an attempt to find soft spots that might result in quick profits or develop into a definite trend. . . . The longer bank obligations appear to have been the targets of this recent market probing. . . . Prices have been quoted down without too much happening so far. . . . The partially exempt eligibles are still being taken out of the market, with inquiries coming from local as well as out-of-town banks. . . .

There is still not too much evidence of boldness among bank investors, especially those institutions in the Central Reserve Cities, because they are expecting another 2% increase in reserve requirements in the near future. . . . Smaller banks, particularly those in areas not affected by higher reserves, have been nibbling at the longer-term obligations. . . . These institutions have been making purchases on price weakness. . . .

UNCERTAINTY ABOUT "PEGS"

Although sales of Savings Bonds to institutions have been completed the money markets are not devoid of uncertainties. . . . There is the confused international situation which is having at least a psychological influence upon the government market. . . . The domestic picture is pretty well jumbled between the inflationary spiral and politics, and these forces cannot be disregarded in one's financial policies. . . . It is believed the politicians will give considerable lip service to inflationary trends but will probably do very little concrete about it, at least until after the election. . . .

Nonetheless, these broad "open mouth operations" could have an influence upon the actions of traders and investors in government obligations. . . . There is still considerable concern among holders of government securities over the "pegged" prices of Treasury obligations, that will probably not be cleared up by what will be said about financial policies of the monetary authorities in the coming campaign. . . .

LIQUIDITY PARAMOUNT

The seemingly best informed followers of the money markets are inclined to pursue a conservative policy for the next few months, which means keeping as liquid as possible and staying on the sidelines unless tempting bargains appear in the market. . . . They believe the future course of interest rates will be determined by international developments, action of the securities and commodity markets and the trend of loans, which cannot be readily predicted at this time. . . . If prices in the commodity, equity and government markets should remain within recent limits and loans do not show more than a seasonal increase, interest rates will continue at present levels, which would be a 1⅛% rate for certificates. . . .

On the other hand, if there should be a sharp rise in the commodity, equity and government markets and loans increase substantially, then an upping of short-term rates is expected which would mean a 1¼% certificate rate, as a gesture to halt the inflationary spiral. . . . Higher interest rates will not stop the forces of inflation unless carried all the way through and such a course of action is not in the cards yet. . . .

"SHORTS" VULNERABLE

A policy of remaining short and keeping on the liquid side supplies the pressure that keeps near-term rates down. . . . This is well realized by operators in the government market, but they point out that in periods of uncertainty such as now, so many things can happen that preparedness for what might take place is preferable to minor increases in income that could be wiped out through quick price depreciation. . . . Staying in a liquid position does not mean selling the longer-term higher income government obligations, since it is indicated that most of these institutions have ample cash and shorts without disturbing the more distant maturities. . . . Positions will be adjused by letting out or taking on short-term obligations. . . .

Also it was noted that holdings of the higher income longer maturities of Treasuries have reached levels that would not be disturbed unless something much more drastic than is looked for takes place. . . .

NOTES

Insurance companies, large and small, continue to let out the ineligibles with two of the "Big Five" reported to be heavy sellers in the past week. . . . It is the same old story of making room for investments other than United States Government obligations. . . . The smaller concerns have also been quite active on the liquidation side with the proceeds going largely into mortgages that look attractive to them. . . .

Savings banks have been biting away at the new issue corporate bond market evidently at the expense of the government market. . . . A new issue of convertible bonds recently floated by a large industrial company, which yielded less than 2.60% was bought in fairly sizable amounts by these institutions. . . . It could be that the Savings Banks are looking for some price appreciation in the corporate obligation. . . .

Some of the dealers are inclined to believe that the ineligibles will tend to firm up, with the Savings Bond Sales over. . . . Their positions, according to reports, have been expanded in the taps, in the past 10 days, which means that the "professionals" are expecting to make a trading turn in these securities.

Corporate Investors Need a Better Box Score

(Continued from page 4)

18 of the companies disclosed entries direct to earned surplus for extraordinary gains or losses (a total of 1,080 such entries excluded from **net income** in a period of six years).

(2) Apparently similar items were treated in different ways not only by different companies but also by the same company in different years (a total of 1,487 entries to income of the same general types as those charged to surplus).

(3) The use of alternative treatments in many such cases would have made possible a material variation in the amount reported as **net income** (in one company the **earnings per share** for one particular year could have been reported as either $2.86, $3.11, $3.87, $3.90, $4.12, $4.15, $4.91 or $5.16, depending on the treatment of certain extraordinary charges).

(4) The total distortion of cumulative earnings can be substantial (one company which reported earnings of $75,053,000 in six years had surplus charges of $28,040,000 during the same period).

The report did not suggest a definite solution for the problem thus presented. It came to the conclusion that there was then no known type of "apple-sorting machine" which would fix whether an item should go in the income statement and be included in computing **earnings per share** or be transferred to earned surplus and be excluded from **earnings per share.** It also expressed the hope that something could be done about the whole problem.

Accounting Solution

Some years ago, in 1932, a committee of the American Institute of Accountants, in correspondence with the New York Stock Exchange, expressed the opinion that "the value of a business is dependent mainly on its earning capacity; and that . . . an annual income account is unsatisfactory unless it is so framed as to constitute the best reflection, reasonably obtainable, of the earning capacity of the business under the conditions existing during the year to which it relates." This clearly suggests the exclusion of material extraordinary items of the type described. Many corporations and accountants disagreed, on the premise that a statement so compiled fails to tell the whole story and that the continuing exclusion of prior period unusual and nonrecurring gains or losses from income statements creates a financial history which is false. This position was once emphasized by the Securities and Exchange Commission in a decision in which it took special note of the frequent recurrence of nonrecurring items.

While this antipodal theoretical argument went on it was generally accepted accounting procedure to insist upon full disclosure of the unusual items so that no one would be misled by the treatment if he read the financial statements. This was the position taken by the New York Stock Exchange. However, while this may have solved the problem for those who analyzed annual corporation reports, it did not settle two difficulties: the inability or failure of the average investor to analyze the figures to the extent of making the necessary distinction between ordinary and extraordinary items and the inadequacy of press reporting of a single figure of **net income** which must either include the unusual items and be distortive, or exclude them and be incomplete.

A short time ago, the Committee on Accounting Procedure of the American Institute of Accountants took a positive position designed to deal with this situation. In a formal statement, it has:

(1) Established a requirement that, with the exception of certain types of extraordinary items of material amount, all items of profit and loss recognized during the period are to be used in determining the figure reported as **net income,** which amount is to be clearly and unequivocably set forth.

(2) Established criteria for exclusion of material extraordinary items from **net income.**

(3) Required that items excluded from the income statement under these criteria be clearly set out and described, either in the statement of income immediately following the **net income** figure or in the surplus statement

(4) Urged that future summary reporting of corporate earnings as **earnings per share** be related to the amount reported as **net income** and that where gains or losses have been excluded from the determination of **net income** they should be separately reported.

Under the criteria adopted, items such as the following will be excluded from the determination of net income:

(a) Material charges or credits, other than ordinary adjustments of a recurring nature, specifically related to operations of prior years, such as the elimination of unused reserves provided in prior years and adjustments of income taxes for prior years;

(b) Material charges or credits resulting from unusual sales of assets not acquired for resale and not of the type in which the company generally deals;

(c) Material losses of a type not usually insured against, such as those resulting from wars, riots, earthquakes and similar calamities or catastrophes except where such losses are a recurrent hazard of the business;

(d) The write-off of a material amount of intangibles, such as the complete elimination of goodwill or a trademark;

(e) The write-off of material amounts of unamortized bond discount or premium and bond issue expenses at the time of the retirement or refunding of the debt before maturity.

Thus, the accounting profession has now forcefully implemented its 1932 statement that the income statement should reflect the "earning capacity" of the business under the existing conditions of the period. With these criteria, the unusual transactions of the four companies described earlier in this article would be excluded from the determination of **net income** and separately reported.

Form of Box Score

In making this significant advancement in corporate accounting requirements, the accountants are still concerned about the past inadequacy of press reporting and the emphasis on a single figure of **earnings per share.** Reporting the sum of net income and all the extraordinary items of gain and/or loss as a single figure is proscribed because it would be misleading as to earning capacity. Reporting merely the **net income** figure will fail to disclose the full results of the year if there are unusual items excluded from **net income.**

What is clearly needed, therefore, is a type of published box score for business earnings reports which initially meets these requirements:

(a) It should state separately the ordinary net income in dollar amount and in amount per share.

(b) It should state separately the effect of excluded unusual gains and losses during the period, both in dollar amount and in amount per share.

(c) It should be standardized in form, including the showing of comparative results.

The accompanying illustration shows a box score prepared on such a basis.[1] It will fit readily into a two-column spread in the average newspaper or financial paper[2]. Featured reports could easily be amplified by introductory comments to the box score.

Obviously, such a box score would not tell the full story of all of the hits and errors of business operation, as does a standard box score for baseball fans. However, it would have the advantage of (1) uniformity and (2) a complete reporting of the "earning capacity" for the period and of the excluded abnormal transactions. The mere disclosure of the amount of the latter would invite would invite inquiry on the part of those interested, but the illustration suggests that a summary explanation be included as well. The unique circumstances of business operation at the present time make the need for such disclosure readily apparent, as evidenced by the frequent appearance in annual statements of such items as contingent reserves, tax refunds, additional tax assessments, sales of plants, and so on.

CORPORATION EARNINGS

Company—	Period	Ended	Net Income Amount*	Net Income Common Per Share	Other Gain or Loss Amount*	Other Gain or Loss Common Per Share
American Cities Power and Light Corporation	Year Dec.	31, 1947	$1,677	$ .52	$ 677	$ .23
	Year Dec.	31, 1946	2,077	.58	(247)L	.085
Swift & Company (c)	53 weeks Nov.	1, 1947	34,335	5.80	(9,586)L	1.62
	52 weeks Oct.	26, 1946	16,395	2.77	148	.025
Society Brand Clothes, Inc. (c)	Year Oct.	31, 1947	380	1.52	201	.80
	Year Oct.	31, 1946	321	1.25	---	---
The Rath Packing Company	52 weeks Nov.	1, 1947	2,946	3.27	150	.17
	52 weeks Nov.	2, 1946	2,066	2.29	---	---
Household Finance Corporation (c)	Year Dec.	31, 1947	8,174	3.19	(665)L	.27
	Year Dec.	31, 1946	5,669	2.43	(938)L	.43
Chicago Mill & Lumber Co.	Year Dec.	31, 1947	2,137	9.10	---	---
	Year Dec.	31, 1946	977	4.16	(53)L	.23
Aviation Corporation	Year Nov.	30, 1946	1,514	.22	12,721	1.84
	Year Nov.	30, 1945	2,015	.35	3,732	.64

(*) 000 omitted
(c) Consolidated
(L) Net Loss, expense, or other charge

Explanations of other gain or loss:

American Cities Power and Light—1947 and 1946, profit on sales of securities, less redemption premium on Class A stock redeemed. Swift & Company—1947, provision for high cost additions to fixed assets, and Canadian exchange adjustments less credit for reversal of reserve for deferred maintenance and adjustment of prior year's Canadian taxes; 1946, Canadian exchange adjustment, and income tax adjustment for prior years, less provision for inventory replacements applicable to prior years. Society Brand Clothes—1947, profit on sale of capital stock of a subsidiary and adjustment of fixed assets expensed in prior years, less adjustment of prior years' income taxes. Rath Packing Company—1947, transfer from reserve for contingencies to surplus. Household Finance Corporation—1947, transfer to reserve for Canadian currency fluctuations and other contingencies; 1946, transfer from contingency reserve, writedown of investment in subsidiary, additional compensation of prior years arising from sale of stock to employees, and contributions under retirement plan. Chicago Mill and Lumber—1946, charge for additional income taxes for prior years. Aviation Corporation—1946, profit on sale of 211,000 shares American Airlines, Inc.;—1945 profit on sales of securities.

1 The figures given here have been compiled from annual reports, but, in the absence of applied criteria at the time of their release, should be considered as illustrative rather than factual.

2 Ultimately, the earnings box score should perhaps be elaborated to contain a report of comparative sales, and possibly working capital, all of which would provide further indices of the trend of the business. Such information is certainly of interest to the person who reads earnings reports.

The ERP Agreements—A New International Era

(Continued from page 17)

other," and that "the success of the program rests upon the willingness and good faith of these countries in carrying out their pledges" to that end.

I am sure that the people of this country are convinced, as this Association must have been convinced in endorsing the Program that "the Program is necessary to prevent the United States from being confronted with a world so unbalanced and hostile as to present almost insuperable burdens to the people of the United States in the future, if Europe is not once more rendered free and adequately strong, both in its political and economic life." (I have again quoted the language of the House Foreign Affairs Committee.)

This is the purpose and the setting against which we are discussing the bilateral agreements which I have said introduce next week a new era in our relations with participating countries of Europe. These Agreements respect the dignity of the participating countries as well as of the United States and give assurance that our assistance will be used to the best possible advantage. However, like all compacts or basic charters they must be appraised, interpreted and applied in the light of the vast purposes which they are intended to achieve. The undertakings of the participating nations burrow deep into the internal economy of each country, intimately affecting the daily lives of the 250 million inhabitants of western Europe.

A New Precedent

Never before in history, so far as I am aware, has any nation undertaken by solemn international agreement to use its best endeavors "to adopt or maintain the measures necessary to ensure efficient and practical use of all the resources available to it"; "to promote the development of industrial and agricultural production on a sound economic basis" and "to stabilize its currency, establish or maintain a valid rate of exchange, balance its governmental budget as soon as practicable, create or maintain internal financial stability."

Undertakings of this magnitude surely require a mature and reasoned appraisal, comparable in many respects to the judicial approach towards the application of constitutional doctrines of due process, interstate commerce or freedom of contract. Our responsibility for realistic and wise interpretation is as solemn as is the duty of each signatory to discharge its undertakings with unchallengeable good faith. And that responsibility on our part which is an inevitable corollary of our position of leadership, is in some measure in the custody of the Bar of this country.

I have said that these Agreements can be instruments of genuine cooperation on a scale never before attempted or that they can bring about serious international misunderstandings and friction. The latter will be a danger only to the extent we Americans fail to understand that, as is true of all basic charters, these Agreements are essentially between peoples, not governments. And we bear a responsibility for wise interpretation and application of the Agreements not merely because they embody the general, basic undertakings to which I have already referred.

In addition, the participating countries make commitments of a more specific nature which I shall illustrate briefly, for the purpose of underlining the necessity of appreciating fully that these Agreements do in fact represent a new pattern in our international relations.

Commitments of Participants

Each country undertakes, with respect to assistance provided on a grant basis, to deposit in a special account the local currency equivalent of the value of our assistance. Thereafter, that country may make expenditures from the account only in agreement with the United States.

In general, such expenditures are to take into account the need for promoting internal monetary and financial stabilization in the participating country, the stimulation of productive activity and international trade, and the development of new resources required not only by the participating country but also by ourselves. The Agreements also provide that the fund may be used for the effective retirement of the national debt of each participating country. Inasmuch as the Congress has authorized the expenditure of $5 billion during the first 12 months, of which over half probably will be made available on a grant basis, the impact upon the internal economy of many of the participating countries through the administration of these funds becomes clear. The United States will have a voice in the expenditure by participating countries of amounts of local currency which in certain instances may well exceed the total value of the currency in circulation in the country concerned.

I have referred to the fact that the local currency deposits may be expended for the exploration and development of materials required by this country. There are additional provisions in the Agreements which require participating countries to facilitate the sale, exchange or other method of transfer to the United States for stockpiling or other purposes of materials available in such country and required by the United States. The quantities to be available for transfer are to be agreed to between the two governments with due regard for the reasonable requirements of the participating country for its domestic use and commercial export of such materials. The Agreements also contemplate future subsidiary agreements according suitable protection to the right of access of any citizen of the United States, including any corporation or other association created under the laws of the United States, to the development of raw materials within participating countries on terms of treatment equivalent to those afforded to the nationals of the participating country concerned. This provision extends an "open-door" policy in a strictly modern sense, and will be applied in a manner which will neither injure the economy of the participating country concerned, nor hamper the accomplishment of the broad objectives of the European Recovery Program.

These illustrative examples drawn from the Agreements, will suffice to show to the members of the Association the gravity of the general obligations which have been freely undertaken by sovereign states. You are, I believe, the first group to discuss this matter publicly. I am certain that as operations under the Agreements get under way, as problems of their application and interpretation arise, and as the objectives of the undertakings come closer to fruition, this Association will lead the way to clearer and fuller public understanding.

Repercussions of International Wheat Pact Failure

(Continued from page 6)

tion is to look thereafter, because there will be no storage space for the surpluses of two years.

Is There a Free World Market Price for Wheat?

As far as the 1948-49 crop is concerned, the International Wheat Agreement would have lowered the world market price. Afterwards, the Agreement would probably have kept the price higher than the demand-supply situation would have warranted.

The maximum price of the International Wheat Agreement this year would have been $2 in Port Arthur, Canada, which is equal to $1.88 in Chicago; while our own wheat prices—because of the support of the CCC—will be $2.28 Chicago.

The "maximum price" would thus have been 40 cents lower than our support price during the next 12 months, and it is very probable that the "maximum price" would have become the "world market price" at which most of the additional wheat would have been sold.

There is, namely, no free world market price for wheat, because the free markets have ceased to function. Bulk purchases of wheat by governments and bulk sales by governments have taken the place of the pre-war trading between thousands of buyers and thousands of sellers. Prices have in the past years been fixed by the governments of the main exporting countries. Only in the United States was the price of wheat until lately left to the play of demand and supply. Thus, the American wheat price became, theoretically, the world market price. Since the last few weeks, however, the wheat price in the United States has moved down to the support level at which it will be kept by CCC purchases and loans. It looks very much as if our own fixed wheat price will become the world market price unless a real excess of supply over demand should arise already this year.

Under the International Wheat Agreement, Great Britain would have bought approximately 172 million bushels from the United States, Canada and Australia, the other ERP countries 201 million bushels, and the remaining member countries — South America, India, etc.—117 million bushels. Great Britain will get her wheat from Canada at $2 a bushel and at about that price from Australia. The remaining ERP countries, however, will probably have to pay 40c a bushel more or a total of $80 million, that is, if they take the full amounts. In some cases, notably Poland and France, this may be doubted.

On the other hand, the United States, having promised their farmers a price of $2.28 Chicago would have paid in subsidies $74 million for the 185 million bushels they were expected to sell under the Agreement to the ERP and other countries. This amount was not budgeted yet. A goodly share would have been subsidies for exports to South American countries. The prices of the coming years will show whether the importing countries would have benefited from the Wheat Agreement, at least in price.

The Securities Business And Free Government

(Continued from page 6)

farms and cities, dine in its homes, study in its schools, work in its factories and offices and pray in its churches.

When we are faced as we are today with problems that seem to press us down, we should look out over America and the strength it represents, we should recall the staggering issues that must have been resolved to have produced what we have. From what we can see and from the memories of our past we draw a confidence that can not be shaken.

The soundness of our actions as individuals must be judged against this background of free government and great achievement which I have attempted to paint. It is not enough to be fortified with the confidence that we are each citizens of a country of great strength and great humanity. We must know that in the work we do, we are adding to that strength and being guided by that humanity.

The Role of Securities Business

In one way or another all of us are engaged in the business of seeing that the industries of America are adequately financed, of seeing that the savings of America move into useful work and that the millions of Americans who buy and sell shares in American industry are provided with fair and orderly markets in which they may make their transactions. Some of us have the duty of seeing that appropriate rules are made to direct the business and that those rules are enforced. Others must foresee and advise on the financial requirements of industry, secure the capital and place it at work. Others are concerned primarily in operating the market facilities by which contributors of capital acquire or dispose of their shares. In short we are all in the securities business.

We are competent judges of the contribution which the securities business is making, and has made, to the growth of America. We know that much of that growth was possible only through the assembly and use of capital by corporations and that the securities business is the effective agency of new capital formation and for the transfer of corporate shares.

For those who are here, and for the thousands of others who are not here, who make up the long list of American citizens engaged in the securities business, the achievements of our business and the standards of conduct under which it operates furnish the sound base upon which our confidence as individuals can rest.

By what our business has contributed, the strength of America has greatly increased. With the aid of our business the productive capacity of American industry has grown to its present almost incredible proportions. Not only have we aided materially in creating production, and the sixty-one million jobs which it furnishes, but also we have spread the ownership of the sources of that production among untold millions of Americans.

The stability of our form of government in America can be largely attributed to the fact that our active wealth is in the hands of millions of people and not concentrated in the possession of a few. Our work has brought about this result.

In a more intangible, but perhaps in a more important, way it seems to me that the securities business has grown more characteristic of America in the last 40 years.

The point of view which is peculiarly American can I think be best described by the simple words "direct and frank." As a nation we have a considerable mistrust of the man who does not come to the point candidly and deal frankly. We are not very good at concealing our motives or executing devious maneuvers and we don't appreciate those who are and can.

In the last 40 years our business has become more direct and frank. As the Dutch long ago tore down the wall in New York's Wall Street, so the symbolic "Wall Street" has demolished its symbolic wall of aloofness and silence.

Today it is expected that the management of a publicly owned business will report regularly and fully to its stockholders on its financial condition and on its capacity to earn money. The old attitude which prompted management to tell as little as possible is dying out. The whole trend of corporate practice today is toward full and effective reporting.

When a corporation seeks new contributions of capital, it makes available information about its past, about who owns it, who runs it and what it's resources are and what problems it faces. It lays its cards on the table and puts its proposition fairly to the decision of invited buyers.

On our Stock Exchanges directness and frankness of dealing are implemented by every mechanical and electrical device we can contrive. What people are paying for securities is continuously and consecutively reported and carried instantaneously throughout the land. What others are bidding or offering for securities is currently reported. In the modern Gold Fish Bowl called "Wall Street" no business operates under more widely or easily observed conditions than the public markets where people buy and sell securities. The nature and the facilities of our Stock Exchanges place them in the forefront of the modern policy of dealing on top of the table.

Today the man who finds mystery in American finance creates it himself. He ignores the services which are at his elbow.

As Americans we face the future with confidence soundly based on a form of government which expresses our deepest feelings and on the mighty record of our achievements. As individual Americans engaged in the operation and supervision of American finance we can add to that heritage the further confidence which springs from the business in which we are engaged. We know that our business is furthering the strength of America and is growing in the pattern of fair dealing which is a basic ingredient of the American character.

With Herrick, Waddell Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Louis S. Kuhn and J. Willis Langdale have been added to the staff of Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Reginald J. Wood, formerly with the Northern Trust Co., has become associated with Hornblower & Weeks, 39 South La Salle Street.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Roland Merrill, Jr., is with Lee Higginson Corporation, 231 South La Salle Street.

With Union Security Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Jesse M. Allman is now with Union Security Co., 29 South La Salle Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market break due to political shenanigans more than to international difficulties. Expect minor rally but no carry-through.

* * *

The action of the tape for the past few days showed at least one thing. You have to be on top of the market all the time. For the past few weeks the indications have for the most part been down. Two weeks ago they seemed to change. In fact the change was so significant that I turned around and flatly said the market was going up.

* * *

But even if I became bullish I didn't lose my sense of proportion and buy stocks at prices I considered a little too high for comfort. Instead I advised the retention of former holdings and wait for opportunities that might develop.

* * *

While awaiting the developments I emphasized that the stops in the stocks this column was already committed to be maintained. In some cases I raised these stops. Reason was that even though the signs pointed to higher prices, the possibilities of a change could not be disregarded.

* * *

In the past few days you saw what happened — the signs of higher prices present last week and the week before disappeared, and a wave of selling took our stocks through their stops. As this is being written a minor rally has developed.

* * *

Such a rally, however, is normal. In fact all rallies and breaks follow the same general pattern. There are halts and moments of hesitation when a trend goes through minor changes with the basic pattern remaining the same.

* * *

I am writing this from Mexico City watching the market in the board room of an American broker's branch office. I can't understand Spanish so I don't know what the talk around me is about. But the office manager here, who speaks English, has the same line of explanations I have heard so often in New York and other portions of the United States.

* * *

The current belief here is that the situation in Berlin is responsible for the present decline. I doubt it. It is more likely that it stems from the explosive political situation brought about by the Presidential race.

* * *

It's no secret that basic food prices, as paid by the ultimate consumer, are going up. It presents an opportunity for political maneuvers that both parties will evidently take advantage of. A market reaction to such a condition is to step away and maintain a watch - and - see policy. This means lightening of holdings.

* * *

Meanwhile here is what happened to the list of stocks you hold. **Anaconda**, bought at 32½ was stopped when it sold under 37. **Bethlehem**, bought at 31, was stopped at 36. **Lockheed** at 15, has a stop at 20. Stop still holds. **United Aircraft** at 15 is still above the 27½ stop price. You also have **Avco** at 4½ and **Dresser** at 22. The former has no stop. The latter has a stop at 27, which up to this writing is still good.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Paul M. Schoessling Joins Blair & Co. in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Paul M. Schoessling has become associated with Blair & Co., Inc., 135 South La Salle Street. Mr. Schoessling was previously with Sutton & Co., H. C. Speer & Sons Co. and Doyle, O'Connor & Co.

Brailsford & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John W. Torrance has been added to the staff of Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange.

Glore, Forgan Adds Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John P. Richardson, previously with F. S. Moseley & Co., and George R. Smith have become affiliated with Glore, Forgan & Co., 135 South La Salle Street.

With Investors Syndicate

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Sherwood D. Steele has become associated with Investors Syndicate. For the past 15 years he has been with Ross, Browne & Fleming.

Doing Business Under European Recovery Program

(Continued from page 10)

Letter of Commitment to a supplier that it cannot be cancelled. Under ECA Regulation No. 1, the Administrator reserves the right at any time and for any reason or cause to supplement, modify or revoke the Procurement Authorization, including termination of deliveries thereunder. It would, therefore, appear that the only protection afforded to a supplier against cancellation of the order is an irrevocable Letter of Credit issued by a bank.

Doing Business Under ECA Not Simple

Doing business under the ECA program will not be as simple as doing ordinary business. The machinery set up abroad for obtaining authorizations and licenses is quite involved. It is no less involved for the American exporter. He will have to obtain a license from the Office of International Trade for each shipment since the ECA procedure does not dispense with the license. He will also have to furnish all the documents required by the foreign government and, in addition, present Standard Voucher S. F. 1034 in four copies and a certificate in the form prescribed by ECA Regulation No. 1.

Among other things, the supplier will certify that he is the manufacturer, regular dealer or exporter of the commodity or service covered in the contract; that he has not employed any person to obtain the contract under an agreement for a commission, percentage or fee. If he is paying a commission or fee to a bona fide commercial or selling agency, the identity must be disclosed to the purchaser and, if requested, to the Administrator. That he will not give or receive any kick-backs or any benefits in connection with the contract; that the contract price does not exceed the established or market price and does not exceed the prices paid to him by other customers; that he has allowed all discounts for quantity purchases and prompt payment customarily allowed to other customers and that the contract is not based on cost-plus-a-percentage-of-cost. Each American exporter must, of course, be prepared to furnish evidence that the contract complies with all the above requirements.

All these documents are for the purpose of controlling and supervising ECA transactions. I feel, however, that many of these papers could be dispensed with.

The Foreign Assistance Act of 1948 contains a provision that the Economic Cooperation Administration may guarantee American private investments in Western Europe to the extent of $300 million during the first year of operation. Earlier this week, the Administrator invited American business to avail itself of this privilege. Applications can be filed with the ECA describing the proposed investment, method of operation, the estimated time required to start operation, and giving the history of the investor's experience, profit and loss statement for the last three years, bank and trade references, and other details.

In conclusion, I should like to say that we have embarked on a program unprecedented in history. We have voluntarily taken upon ourselves the task of rebuilding nations devastated by a war which was not of our making. We are even assisting the aggressor nations. Every citizen of our country is contributing to the Plan through taxation. Let us hope that our aid will not be in vain, that it will help the European nations reconstruct their economies and maintain democratic governments and private enterprise. Let us hope that private enterprise, which is the mainstay of democracy, will be entrusted with the business of the European Recovery Program. Let us demonstrate to the world that we practice what we preach.

Testing Investment Timing Formulas

(Continued from page 4)

As the Dow-Jones Average advances or declines from this point, specific changes in the ratios of the two types of securities are called for. The divisions are as follows:

Division of Account—	Average in Zone 1	2	3	4	5	6	7
% Defensive	10	20	35	50	65	80	90
% Aggressive	90	80	65	50	35	20	10
Total Account	100%	100%	100%	100%	100%	100%	100%

The second feature of this particular plan, which is generally known as the "Seven Step Plan," is the application of what is known as "The Half Way Rule." This Rule requires that if the average advances into Zone 6 or 7, the maximum Defensive position achieved (80% or 90%) is maintained until the subsequent decline has carried the Average through Zone 4, at which point normal formula balancing is resumed, in accordance with the table above. It also requires that in the event the Average declines into Zones 2 or 1, the maximum Aggressive position achieved (80% or 90%) is maintained until the subsequent rise has carried the average through Zone 4, at which point normal formula balancing is resumed.

This Rule was developed because a study of the Average over the 50 years of its existence showed that when the Average reached either the top or bottom Zones it tended to carry through Zone 4 on the reversal of its previous move. Maintaining maximum Defensive or Aggressive positions, therefore, has a high degree of probability of bettering the results by delaying purchases on declines or sales on rises.

Testing the Method

In order to test the effectiveness of this method of timing purchases and sales of Defensive and Aggressive securities, annual results of a formula-managed account using the Dow-Jones Industrial Average for the Aggressive side and Cash for the Defensive side were computed for each period starting with Jan. 1, 1918. In computing the results the account was balanced at calendar quarter intervals and the seven Zones shown on the chart were used to determine the balancing points. The Half Way Rule was applied throughout. No brokerage was charged on purchases and sales of the Dow-Jones Average, and no income was taken into consideration in the results.

From this table it is possible to trace the year-by-year progress of an account started in any one of the past 30 years. Since the period included about as wide a variety of types of price trends as can easily be visualized, the table provides a convenient means of studying the operations of a formula plan under practically all conditions.

Summarizing Results

Summarizing the results briefly there were 465 test periods ranging in length from 1 to 30 years, and beginning each year from 1918 to 1947. Of these 465 annual tests, 423 showed gains for the account, 39 showed losses, and 3 showed no change. The 423 gains each averaged 90%, whereas the 39 losses each averaged 14%. If this "experience table" were to be expressed in terms of probability or odds, it might be said that there were 11 chances to make a 90% profit against each 1 chance for a 14% loss. The largest loss incidentally, was in the test period starting at the beginning of 1929 and running to the end of 1932. This loss was 34% on the original investment as contrasted with a loss of 81% in the Dow-Jones Average for the same period.

It is probable that no one test can provide an all-inclusive answer to as important a question as the merits of investment timing by formula plan. It would seem, however, from this purely mathematical application of an established formula to a medium in which there is no element of hindsight, that this method deserves the serious consideration of investors interested in sharing reasonably in the broader advances of the market, and providing themselves with reasonable protection against the more extreme declines.

Margin Accounts at End of Half Year

Reports by member firms of the New York Stock Exchange, in response to a questionnaire distributed last month, indicate that as of June 30, these firms were carrying 100,499 open margin accounts in securities for customers. A total of 300 firms carrying such accounts reported.

At the end of December, 1946, the number of firms carrying customers' margin accounts in securities was 297 and they reported 56,131 such accounts. As of June, 1946, 287 firms carried 74,265 accounts, compared with 282 firms which reported 137,752 accounts as of the end of June, 1945.

The only preceding comparable figures are for Nov. 30, 1938, when member firms reported 256,504.

Panos Dimon Joins Staff Of Shearson, Hammill Co.

Shearson, Hammill & Co., members of the New York Stock Exchange announced that Panos Dimon has become associated with the firm in its uptown office, 522 Fifth Avenue. Mr. Dimon is a former Vice-President of the Bank of Athens.

Norway Bonds Available

The National City Bank of New York has announced that beginning July 21, it would be prepared to deliver Kingdom of Norway ten-year 3½% sinking fund external loan bonds due April 1, 1957 in exchange for temporary bonds.

With Smith, Ramsey & Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN. — David B. Smith has joined the staff of Smith, Ramsey & Co., Inc., 207 State Street.

Securities Business—Is It a Profession?

(Continued from page 13)

were not so, but it would seem that ours is neither profess.on nor bus ness." "And how," inclined the wise medico, "do you define your activity?" "Sometimes," I said, "I think it's just another form of madness!"

This simple anecdote may serve as an introduction to the more serious contemplation of the problem. Perhaps there is no harm in calling or considering the intricate web of securities financing as business and no more. For surely there is no opprobrium attached to the important function of distribution of goods and services. Conversely speaking, there is no halo enveloping the head of those who are in a profession.

The distinction between the two may even be slight and largely based on convention or custom. We have acquired the habit of calling dentists, physicians, lawyers, teachers, preachers as men of a profession. We think less so of the men in science, and hardly ever do we credit men engaged in dispensing service rather than merchandise as being of a profession. However, rough outline of the occupations considered a profession brings to light this similarity among them: All deal with the human equation. In other words, they are known for what they do with people and without this corollary they have no purpose existing. A dentist is a dentist because he takes care of people's teeth; a physician is a physician because he looks after human health; lawyers help in the adjusting of human rights; and a teacher is a teacher because there are students in his classroom. The physicist searching for the mysteries of nuclear energy may be thought of as a man of a profession as well as the engineer who helped to construct the cyclotron, but they are rarely spoken of as such.

It is becoming increasingly evident that the function of securities financing has acquired a new facet, not from the will of the people engaged in it, but rather again, from experience. Everybody who has been in this work for 20 years knows that dispensing of securities was business in the truest sense. I recall the time when selling a bond went something like this. Salesman: "Mr. Jones, I have here a first mortgage bond." Mr. Jones: "You have?" Salesman: "Yes, it's a 6% bond, too." Mr. Jones: "Really?" Salesman: "Yes sir, and it sells at 98½ to yield 6.15." Mr. Jones: "You don't say?" Salesman: "And, furthermore, it is offered by Kuhn Loeb & Co." Mr. Jones: "How many can I buy?" Well, people who buy securities aren't that simple anymore. Salesmen, if that is what they are, must know a lot more to sell. Buyers of securities became students, yes, even those of them who never went through the school of receiverships and were pressed into the necessity of learning facts about securities. Also, there are easy sources of gratuitous information available to people buying securities, and always, of course, there is the free field of information exchange on which investors meet to talk things over.

Yes indeed, to face all this the securities man must keep alert, know his facts and know his people. His general knowledge of the field of financing must embrace public and private economy and be specific enough to meet the challenge of investors who know perhaps a great deal about both. When there is a meeting of minds and the man with money will exchange it for the form of property called a security, very likely much has happened to make the transaction rather incidental to the counsel which preceded it.

The situation is somewhat similar to a consultation in a doctor's office which may terminate by the physician prescribing medicine for his patient. The obvious objection to this analogy may be that the physician has nothing to sell while the securities man has. It should be remembered that the physician might have made an incorrect diagnosis, and also that he may have prescribed the wrong medicine. At best he cannot always rely on his patient to follow the treatment he set out for him. All these conditions are inherent in the securities business, and the only difference existing is that a man who sells securities may have profit in them or that his profit may be reflected in a commission above his cost. In essence, both situations are very much alike. Of course, no patient can dispute with his physician either over the diagnosis or the suggested cure unless he were a doctor himself. The patient will allow the doctor may be wrong and that is about all. A good securities man should be at least in as good a position of knowing facts as the doctor.

The manner of his receiving remuneration by way of either profit or a commission is immaterial. A good deal will depend on his superior knowledge and the confidence of the man he serves. His own attitude should cease to be that of a merchant selling wares. Even though securities are sold their choice and fitness should be considered in a professional manner, which being the more important phase of a transaction, sets up the men in securities business as men of the profession.

Much could be said about the conduct of securities dealers during their extracurricular pursuits. Talking about investment matters over a bridge table or at the 19th hole might be considered by some as one way of drumming up business. I believe discussing of investment problems should be restricted to business hours and done in a like professional manner others follow. Doctors don't discuss health problems with their public, and lawyers do not talk of law except at the appropriate time and place. There is no attempt contained in these lines to artificially create an air of solemnity about the securities business. However, the fact remains that it has become and is getting more to be a profession and that the awareness of this among men engaged in it should be taken with all seriousness.

There also exists the possibility that the reward coming to men in selling securities will be measured by the value of advice and service rather than by the money margin between the cost price and the selling price. For obviously, without this professional attitude in these times of complex living, a mere sale of a security could be very costly to a person buying it even if it were to be sold without any profit whatever.

Philadelphia Reserve Bank Previews Business Prospects in Last Half of 1948

(Continued from page 15)

level may be rising does not preclude the possibility of downward readjustments in individual lines. Such readjustments have already occurred — the most recent and severe in agricultural products. Although recent events point toward still higher prices for some foods in the immediate future, the steady improvement of agricultural conditions abroad and large crops at home may bring about a reversal of the situation later on. Industrial prices appear to be very firm but they are not immune to price dips, particularly in lines in which scarcity premiums have been high.

"In general, however, for the remainder of this year it appears that production and business activity will stay at peak levels and that there will be continued upward pressure on prices.

Banking and Credit

"One of the most important factors preventing the achievement of balance in the second half of the year is the likelihood of further expansion of credit and the money supply.

"If business activity continues to rise and prices and costs pursue their spiraling upward trend, businesses will need bank loans for fixed and working capital. Because of the improvement in the securities markets, businesses may meet a growing proportion of their needs by floating new issues. Nevertheless, banks will be a major source of funds either directly through loans or indirectly through purchases of corporate bonds.

"Banks also are likely to buy an increasing amount of securities which states and municipalities issue to finance expansion programs. They will continue to extend credit, either directly or indirectly, to consumers. Consumer spending promises to remain large, and credit will be used more and more as the financial position of consumers weakens.

"Banks are likely to expand their real-estate loans further if construction activity continues as strong as it has been, although more conservative policies by lenders and recent housing legislation may tend to work in the opposite direction.

"So the demand for loans is likely to increase. The Treasury and Reserve authorities will not have the strong weapons for offsetting credit expansion which they were able to use in the first-half of the year. The Treasury will be without the substantial cash surplus which it enjoyed in the first quarter and, in fact, there are some indications that the Treasury surplus may turn into a deficit during fiscal year 1949. If so, the Treasury very likely will be unable to exercise a significant dampening influence on bank reserves and deposits.

"A substantial reduction of governments held by the Federal Reserve Banks, therefore, cannot come about through cash redemptions. Sales of short-terms to the market, such as those accomplished in the first-half, would have a depressing effect on bank reserves and the money supply, but the ability of the System to sell short-terms depends on the willingness of investors to buy.

"The statutory power to raise reserve requirements has been almost exhausted. The only remaining authority is to raise requirements of member banks in central reserve cities from 24% to 26%.

"It will be very difficult to establish balance on the monetary front during the second-half of the year. Yet the Reserve authorities must continue to use such powers as they have to pursue an anti-inflationary policy consistent with their responsibility for maintaining orderly conditions in the governments security market.

Prescription for Fever

"There is no single, certain, painless cure for inflation.

"The traditional remedy has been to allow the fever to burn itself out. But this has always been hard on the patient. It would seem much more desirable to bring inflation to a halt before the crisis is reached. This calls for a cooperative effort on all fronts:

"Federal Reserve policies aimed to restrict the growth of the money supply.

"Continuation of voluntary efforts of bankers to restrain unnecessary lending.

"A consistent anti-inflationary policy of the government in such fields as budget policy, loans, guarantees, subsidies.

"Caution on the part of management and constant awareness of the growing weaknesses inherent in inflation.

"Increasing productivity of labor.

"Greater saving and less spending by consumers.

"We must be careful, of course, that the cure does not bring on a reaction worse than the disease. Vigorous, yet flexible, anti-inflation policies should help our economy to come to a balance at a higher level of activity than we have ever before enjoyed in peacetime."

Sees Growing Preference for Fixed Value Assets

(Continued from page 3)

from Government bonds to bank deposits, as was pointed out in last year's survey. A second change during this period was a decline in the number of spending units expressing a preference for assets of changing value, particularly real estate.

"In the 1948 survey, more detailed information was obtained on the reasons given by people for and against holding various types of assets. These data are shown in the accompanying table. Not all, but substantial numbers of spending units, gave reasons for or against holding each type of asset.

Reasons for and Against Holding Various Types of Assets, Early 1948*
(Spending units with incomes of $2,000 or above)
[Per cent]

Reasons for and against holding various types of assets	Type of asset: Bank deposits	Savings bonds	Real estate	Common stock
For	32	60	9	5
Safe, not a gamble	18	37	4	1
Interest rate or return satisfactory	2	18	4	4
Liquid	12	2	†	†
Familiar with	†	†	†	†
Help country	‡	3	‡	‡
Against	23	9	58	62
Not safe, a gamble	4	1	12	26
Interest rate or return low	19	4	1	†
Not liquid	†	3	1	†
Not familiar with	†	1	6	30
Takes lots of money to buy	‡	‡	4	3
Price too high, capital loss expected	‡	‡	34	3
No reason given§	44	30	33	33
All units	100	100	100	100

*The questions were: "Suppose a man decides not to spend his money. He can either put it in a bank or in bonds or he can invest it. What do you think would be the wisest thing for him to do with the money nowadays—put it in the bank, buy savings bonds with it, invest it in real estate, or buy common stock with it? Why do you make that choice?"

†Less than ½ of 1%.

‡Not applicable, not coded.

§Most of the respondents gave reasons for or against holding one of the four types of assets, but some respondents, as indicated by this line, did not discuss each one of the four types of assets.

"The principal arguments advanced by people with incomes of $2,000 or more in favor of bank deposits were 'safety' (mentioned by 18%) and 'liquidity' (12%), but the fact that little interest is earned was regarded as a disadvantage by 19% of these spending units. In the case of savings bonds, three-fifths of all spending units expressed reasons in favor of holding them, primarily because of safety and secondarily because of the rate of interest received. Roughly three-fifths of all spending units gave reasons against holding real estate. Most thought real estate prices too high and others considered such holdings 'not safe.' Least attractive of the four types of assets was common stock. Its high returns were considered only a minor advantage as compared to the disadvantages occasioned by lack of familiarity and lack of safety.

"Relative safety or lack of safety received first consideration when deciding which of the four types of assets should be acquired. The rate of return was next in importance. Although not as many spending units mentioned liquidity as an important consideration, it is possible that they did not distinguish between safety and liquidity."

Halsey, Stuart Offers New Haven Equipments

Halsey, Stuart & Co. Inc. and associates won the award Wednesday of $4,050,000 New York, New Haven and Hartford equipment trust of 1948, No. 2, 2½% equipment trust certificates, maturing $270,000 annually Aug. 1, 1949 to 1963, inclusive. The certificates, issued under the Philadelphia plan, were immediately reoffered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.55% to 2.90%, according to maturity.

The certificates will be issued to provide for not more than 75% of the cost, estimated at $5,400,000, of the following new standard-gauge railroad equipment: 15 2,000 h.p. Diesel-electric passenger-freight road locomotives; seven 1,500 h.p. Diesel-electric passenger-freight road switching locomotives; two 1,000 h.p. Diesel-electric passenger-freight road switching locomotives; and 12 660 h.p. Diesel-electric switching locomotives.

Associated in the offering are R. W. Pressprich & Co.; Bear, Stearns & Co.; A. G. Becker & Co., Inc.; Hornblower & Weeks; Otis & Co. (Inc.); Freeman & Co.; Gregory & Son, Inc.; Julien Collins & Co.; First of Michigan Corp.; The Milwaukee Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and Alfred O'Gara & Co.

With Welsh, Davis Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Anne C. Hetterick is now with Welsh, Davis & Co., 135 South La Salle St.

With J. Arthur Warner Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—Carroll H. Tyler has joined the staff of J. Arthur Warner & Co., Inc., Clapp Building.

Inconsistencies of British Economic Policy

(Continued from page 15)

able than the extra things which they would like to buy.

"If any reduction of the wage-earners' income tax is possible it is clear that this reduction should come in the form of a reduction in the rates of tax rather than in the form of increases in the personal allowances since a reduction in rates of tax affects the marginal rate of liability (the rate payable on extra earnings) while an increase in the personal allowances affects only the average rate (except where the increase takes the taxpayer out of the range of tax liability altogether or out of the range of the 6s. or 9s. rate). An increase in the earned income allowance (at present one-sixth) would have the same effect as a reduction in the rate of tax, but this effect would be less obvious to the taxpayer."

So much for the "incentive" aspect of the taxation on workers. Now, let us look at what Mr. Chambers in the same article says about taxation of capital in Britain:

"Of all the taxes on enterprise, the Profits Tax is, from the incentive angle, easily the worst, and should be repealed altogether. We need a bonus for enterprise, not yet another handicap. If there is any principle in taxation at all it is that income from enterprise should be taxed at a lower rate than income from passive ownership. But today the Profits Tax reverses the rule and imposes the greater burden upon enterprise.

"During Parliamentary Debates on the income tax from 1853 onwards, speakers have warned successive Chancellors of the Exchequer that increases in that tax would ruin the country. In our time income tax rates have risen to such levels as to make these early warnings look rather foolish. But they were not foolish. What may be possible in the short period for an emergency — a desperate life and death struggle —is not possible as a long-term policy. It is so easy to increase the income tax, and so hard to put it down again. It is so easy to recognize that the tax should come down, but so hard to put it down instead of leaving it to another year or to another Chancellor. Perhaps from the point of view of long-term economic health, the greatest curse of this country may yet prove to be the efficiency of its remorseless tax machine."

Regarding the effect of high taxation on capital investment, the same authority boldly states:

"Then there is the effect of taxation upon the much maligned investor. He has a part to play in industry, and it is not quite so passive as many people assume. His judgment in supporting one enterprise rather than another does play some part in the direction of capital investment. We have also to remember that most investors are small people today with full-time occupations. In the present difficulties we want the investor to save all he can and to spend as little as possible on personal consumption. How is he affected by taxation? What are his inducements to save? Let us take the case of a man with £200,000 capital. At 2½% his gross income would be £5,000 a year, and his net income after income tax and surtax £2,372. A century ago £5,000 a year bore very little tax, direct or indirect, and was a very large income. Even at late as 1926 the £200,000 earned 4½% which is £9,000 gross, and the net amount after income tax at 4s in the £ and surtax was approximately £6,350. If the 1926 investor saved half his net income he would have £3,175 to invest after spending £3,175 on himself. The cost of living today is much higher than it was in 1926, and the net amount to yield the same standard of living as £3,175 did in 1926 would be over £5,000."

And the writer concludes:

"It may be that reductions in taxation in order to restore the will to work and to undertake risks may not have a very high place in the Chancellor's inevitable priorty list, in which a budget surplus may rightly take pride of place. But budget surpluses are hard to achieve because once money has been raised by taxation it is exceedingly difficult to avoid spending it. If, however, still higher taxation is imposed and it is not used as a disinflationary surplus, and if as a consequence it fails to reduce the means of purchasing power in existence, then, so far from curing the fever, it will have inflamed it, because, while doing nothing to improve matters on the money side, it will have worsened the position on the production side by a further weakening of the will to work and to save."

The Reduction of Working Hours

Despite the British economic plight and the nation's sorely needed expansion of domestic output to have surplus products with which to pay for imported foodstuffs and raw materials, the British worker, now having a per man output lower than in the United States and probably lower than in other highly industrialized countries, continues to shorten his working hours. Thus according to the White Paper "Economic Survey of 1948": "Changes during 1947 gave about five million work-people an average reduction of 3½ hours in the standard working week, which is now 44 or 45 hours in most important industries. But in many industries in which there have been agreements to reduce standard working hours, the hours actually worked have not been reduced, because of the shortage of manpower and the need to maintain production. A number of essential industries have, moreover, recently increased their working hours in response to a Government request, where the supply of materials and power has permitted."

Certainly, in an economic situation as serious to national safety and welfare as that existing in wartime, a reduction of hours of work is not in line with progress. What Britain needs in her present plight, is not more "dollars" or more "socialization," but greater production **and greater production at lower costs.** British manufacturers at one time could compete successfully with those of European continental countries and the United States. But this has ceased for several years past so far as many products are concerned. Even before the First World War, Germany and the United States were gradually overtaking British production in the world markets, not so much because of superior skill or greater capital resources, but more because of greater output per worker and more effective utilization of industrial and mechanical techniques. This has been pointed out by the French economist, Andre Siegfried, who in his book "England's Crisis," published in 1931, said:

"England is now outdistanced quite as much by the dearer countries as by the cheaper. Among those with high wages, America surpasses her in both volume and organization; on the other hand, the low-wage countries often have ultra-modern machinery which outclasses the old-fashioned British equipment, constructed and planned as it was to meet the needs of a time when America scarcely existed, and when many young countries were only emerging from the chrysalis. If present conditions had prevailed at the beginning of the Ninteenth Century, when the industrial system of modern England was being evolved, it is by no means certain they, the most powerful manufacturing concentration in the world, would have been located on this little island on the edge of the European continent. At any rate, the combination of circumstances most conducive to cheap industrial production is no longer to be found in this part of the world."

It is axiomatic that a nation dependent largely on the importation of foodstuffs and raw materials must be able to manufacture cheaply if it is to subsist economically and be the gainer in international trade. No longer able to draw on the income from its foreign investments or to reap high profits from its shipping, insurance and banking services, Britain must perfect its industrial techniques, must thereby lower its production costs, and, above all, offer incentives to accomplish these purposes, if it is to recover from its present economic plight.

Perhaps this is being recognized by some leaders of the present British Labor Party. Thus, Deputy Prime Minister Herbert Morrison at a conference of the Party on May 18, stated: "We have no hope of meeting these checks unless we produce a lot more than we are doing at present. Don't let us think that we can meet this bill as a whole simply by squeezing the capitalists further, or by any other short cut other than producing more both to sell abroad and for our own needs."

Says War Economy Will Interfere With European Recovery

Roger Auboin, General Manager of Bank for International Settlements, concludes his Annual Report with warning that continuation of wartime controls cannot achieve lasting international stability. Says controls should be limited to essentially financial types.

Concluding his elaborate report on world economic and financial conditions covering the year ended March 31, 1948, Roger Auboin, General Manager of the Bank for International Settlements in Basle, Switzerland, draws attention to the fallacy of attempting to reorganize and stabilize the European economy by perpetuation and intensification of wartime physical controls. Elaborating on this point, Mr. Auboin states:

"Two particular conclusions emerge from an examination of the European situation. In the first place, the progress made in Europe is sufficient proof of the fact that the aid so far received through UNRRA and otherwise (mostly coming from the United States) has not been wasted. Without the food, the fuel and the industrial materials received from abroad, Europe could not possibly have attained the present volume of output, which in the countries concerned, forms the basis of the national income and, with it, the means of restoring sufficient budgetary equilibrium for inflation to be arrested. Secondly, the fact must not be overlooked that the conditional upon the amount of recovery of Europe is still largely aid received, so that if the aid were suddenly to cease a number of countries would be faced with almost overwhelming difficulties even in trying to secure a minimum of food and materials. They would incur the danger of widespread unemployment, a consequent decline in the national income and very likely a reappearance of budget deficits—a train of events which could not happen without a general weakening of the social and political fabric. After the first World War, it took several years to regain a balanced position, and the second World War spread much greater havoc and undoubtedly left behind it greater real needs. Even so, the effort this time compares not unfavorably with that of a quarter of a century ago.

"Since physical damage can be fairly quickly repaired in most cases (given the facilities of modern technique), disorganization has proved to be the great lingering injury caused by war. It is essentially to provide time for reorganization that further aid is required, and it is only if this remains its chief purpose that such aid will be put to the best use. Obviously, 'reorganization' must not mean simply an attempt to restore the situation obtaining before the war—a mere return to prewar conditions (this being the meaning generally given to the ward 'reconstruction' after the first World War). In quite a new sense, the process of reorganization must aspire to a 'refashioning' of a great many aspects of present-day economic life, first as regards the internal conditions of each individual country (often much in need of modernization) but also in the community of nations and then with special reference to Europe, whose prosperity and dignity can be secured only by increased cooperation.

"The greatest mistake of all, however, would be to imagine that peacetime reorganization could be achieved simply by perpetuating the often improvised methods of the war economy. These methods, which consist in the use of physical controls (over raw materials, prices, wages, movements of labor, investments, etc.) and seem always to involve a strong admixture of inflation, had obviously to be employed so long as the war lasted, and they survived in the immediate post-war period during which the countries still had to take many emergency measures. But an undue prolongation of the use of these methods would be even more dangerous than an indiscriminate return to the prewar modes of economic life.

"With a new start in economic reorganization, the time is now ripe for a genuine overhauling of the methods of official intervention in economic life. The criterion should be the effectiveness of the whole range of measures from the standpoint of the peacetime aims of restoring prosperity and stability. It will then be imperative not merely to think in terms of immediate results but to pay most careful attention to possible secondary effects, which may well be harder to foresee but may ultimately be of much more importance. In any case, it will be necessary to base the economy on a firmer foundation than pretence and, indeed, to be aware of the fact that pretence in its various forms is generally self-defeating in the end.

"It is, for instance, no use pretending that price control was effective when, as happened in several countries, more than one-half (and sometimes more than three-quarters) of all actual transactions took place in black or grey markets. In such circumstances it is not surprising to find that prices generally rose, no matter what form of so-called control was administratively in force.

"Another example may be chosen from the money and capital markets. No doubt 'the authorities' have certain possibilities of influencing the level of interest rates (by limiting, for instance, the demand for capital on the part of official agencies or by the use to which official funds are put). If the markets fall into line (and whether that wil happen depends largely on the total volume of investments and on the flow of money savings), then the official policy is a success. Should that not be the case, and should the authorities decide to keep interest rates down by means of large-scale purchases of market securities by the central bank, then a new factor—the use of central-bank funds — has been brought into play, with consequences which may go far beyond the results contemplated in the first instance.

"Something similar may happen with regard to the balance of payments. Through control of trade, an attempt may be made to reduce a surplus of imports over exports; but, here again, it may often be found that the import surplus stubbornly refuses to be compressed. Should that be the case, the control will have failed; but the surplus imports will still have to be paid for and, in the absence of foreign aid, this will lead to drafts on the monetary reserves, which may be brought near to vanishing-point.

"It is obvious that, for the establishment of balanced conditions—and for the harder task of maintaining them when established—more effective means than physical control are required. It then becomes necessary to have recourse to those essentially financial types of control which, in conjunction with the price mechanism, have repeatedly proved their usefulness in adjusting the balance of payments and in giving stability to the national currency. The point is to control the total volume of monetary purchasing power and especially the size of money incomes, which chiefly determines the volume of demand for goods and services. Expenditure in all its different forms—whether for current consumption, for the upkeep of the government or for investment purposes—must be related to the available volume of goods and services, with special attention to the flow of savings (including such aid as is received from abroad). The principle of balancing the budget is subordinate to the more general rule that the money income received by producers of all kinds should correspond to the real value of their output of goods and services (less taxes and other charges required for the upkeep of government establishments, etc.). In other words, there must be no dilution by issues of money having no counterpart in additions to the volume of goods and services, and, accordingly, the central banks must once more be in a position to exert their influence on the volume of currency and credit.

"The boom conditions at present obtaining demand a curb on the creation of new money, though in times of depression a different policy may be justified. There is, indeed, a danger that ideas which were born during the great depression of the 'thirties may still retain their sway over people's minds and be allowed to influence practical action in entirely changed conditions. The actual course of events in many countries unmistakably points to the conclusion that, for peacetime reconstruction to rest on a firm foundation, measures of financial control must again be applied—adapted, maybe, to the circumstances of each particular country but without detriment to their effectiveness. It will then be found that a most useful step has been taken on the road to international cooperation. By their very nature most physical controls (and not least trade and exchange controls) tend to intensify the trend towards nationalistic insulation. As a matter of fact, a wider application of appropriate financial controls should permit the abolition of many existing hindrances and thus help to strengthen the ties of free international intercourse. Such application would, moreover, be consonant with the present-day orientation of ideas and action towards a system which combines close cooperation with the greatest possible freedom for the individual countries."

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 25	93.1	90.8	96.2	93.1
Equivalent to—					
Steel ingots and castings produced (net tons)	July 25	1,678,100	1,636,600	1,734,000	1,629,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 10	5,480,400	5,483,800	5,479,600	5,045,350
Crude runs to stills—daily average (bbls.)	July 10	5,791,000	5,701,000	5,592,000	5,268,000
Gasoline output (bbls.)	July 10	18,244,000	18,041,000	17,928,000	16,255,000
Kerosine output (bbls.)	July 10	2,023,000	2,116,000	2,270,000	2,213,000
Gas oil and distillate fuel oil output (bbls.)	July 10	7,438,000	7,185,000	7,143,000	6,004,000
Residual fuel oil output (bbls.)	July 10	9,141,000	9,055,000	8,967,000	8,666,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 10	102,948,000	104,145,000	105,849,000	87,930,000
Kerosine (bbls.) at	July 10	19,235,000	18,733,000	16,897,000	16,162,000
Gas oil and distillate fuel oil (bbls.) at	July 10	50,608,000	47,538,000	42,288,000	42,899,000
Residual fuel oil (bbls.) at	July 10	62,385,000	60,926,000	57,481,000	50,596,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 10	755,760	757,366	906,948	807,117
Revenue freight rec'd from connections (number of cars)	July 10	556,894	638,621	700,630	531,414
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 15	$126,589,000	$168,716,000	$126,883,000	$104,350,000
Private construction	July 15	60,799,000	100,043,000	67,953,000	51,195,000
Public construction	July 15	65,790,000	68,675,000	58,930,000	53,155,000
State and municipal	July 15	50,544,000	54,663,000	56,560,000	39,084,000
Federal	July 15	15,246,000	14,012,000	2,370,000	14,071,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 10	10,070,000	*3,700,000	13,380,000	6,140,000
Pennsylvania anthracite (tons)	July 10	846,000	100,000	1,210,000	1,008,000
Beehive coke (tons)	July 10	47,800	*26,700	145,000	53,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 10	218	*265	304	228
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 17	5,197,458	4,760,316	5,159,285	4,732,434
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 15	91	88	100	63
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 13	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	July 13	$41.84	*$40.51	*$40.51	$33.43
Scrap steel (per gross ton)	July 13	$41.00	$40.91	$40.66	$37.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 14	21.200c	21.200c	21.200c	21.225c
Export refinery at	July 14	21.500c	21.750c	21.475c	21.425c
Straits tin (New York) at	July 14	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	July 14	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	July 14	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	July 14	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 20	100.82	100.85	101.30	103.79
Average corporate	July 20	112.37	112.56	113.12	117.00
Aaa	July 20	116.61	117.00	118.00	122.09
Aa	July 20	115.24	115.24	115.82	120.22
A	July 20	111.62	111.81	112.56	116.61
Baa	July 20	106.21	106.56	106.92	109.97
Railroad Group	July 20	108.16	108.34	108.88	112.00
Public Utilities Group	July 20	112.56	113.12	113.70	118.60
Industrials Group	July 20	116.41	116.41	117.20	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 20	2.44	2.44	2.41	2.25
Average corporate	July 20	3.04	3.03	3.00	2.80
Aaa	July 20	2.82	2.80	2.75	2.55
Aa	July 20	2.89	2.89	2.86	2.64
A	July 20	3.08	3.06	3.03	2.82
Baa	July 20	3.38	3.36	3.34	3.17
Railroad Group	July 20	3.27	3.26	3.23	3.06
Public Utilities Group	July 20	3.03	3.00	2.97	2.72
Industrials Group	July 20	2.83	2.83	2.79	2.61
MOODY'S COMMODITY INDEX	July 20	430.3	432.8	436.0	418.5
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	July 17	247.6	243.2	242.0	222.5
Fats and oils	July 17	274.5	279.8	287.3	200.1
Farm products	July 17	274.1	275.9	276.2	257.1
Cotton	July 17	322.0	330.4	351.9	365.0
Grains	July 17	237.8	242.0	261.6	251.9
Livestock	July 17	285.0	284.9	274.7	244.5
Fuels	July 17	232.9	231.4	231.4	178.6
Miscellaneous commodities	July 17	173.7	174.9	176.9	162.1
Textiles	July 17	200.7	202.0	209.4	222.5
Metals	July 17	167.0	166.6	165.9	149.0
Building materials	July 17	227.9	228.0	230.1	187.0
Chemicals and drugs	July 17	156.7	157.0	158.0	151.2
Fertilizer materials	July 17	136.7	136.7	134.5	127.8
Fertilizers	July 17	144.0	142.9	142.9	135.0
Farm machinery	July 17	140.2	140.2	139.4	126.6
All groups combined	July 17	226.9	226.2	226.6	202.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 10	123,790	215,857	171,337	139,288
Production (tons)	July 10	108,114	171,583	193,156	133,950
Percentage of activity	July 10	56	89	101	76
Unfilled orders (tons) at	July 10	393,915	381,065	380,421	505,183
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 16	145.2	146.5	147.4	142.7
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 10	166.8	166.7	164.9	148.3
Farm products	July 10	196.1	197.2	193.5	178.2
Foods	July 10	185.3	184.1	180.1	165.8
Hides and leather products	July 10	188.1	188.3	186.7	173.3
Textile products	July 10	148.1	148.1	148.8	138.3
Fuel and lighting materials	July 10	134.7	134.1	133.8	105.8
Metal and metal products	July 10	159.4	159.4	157.1	141.6
Building materials	July 10	197.5	197.6	196.9	175.4
Chemicals and allied products	July 10	134.5	135.5	137.1	117.5
Housefurnishings goods	July 10	145.8	145.0	145.1	131.0
Miscellaneous commodities	July 10	120.3	121.1	120.9	114.6
Special groups—					
Raw materials	July 10	184.2	184.3	181.6	162.0
Semi-manufactured articles	July 10	154.0	154.0	153.0	142.2
Manufactured products	July 10	161.1	160.9	159.3	143.7
All commodities other than farm products	July 10	160.3	159.9	158.5	141.8
All commodities other than farm products and foods	July 30	149.9	149.8	149.3	132.1

*Revised figure.

	Latest Month	Previous Month	Year Ago
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of June (in thousands)	$108,629,000	$97,593,000	$94,447,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of June:			
Manufacturing number	130	135	95
Wholesale number	54	72	36
Retail number	194	158	108
Construction number	36	31	23
Commercial service number	49	30	21
Total number	463	426	283
Manufacturing liabilities	$5,147,000	$7,030,000	$14,220,000
Wholesale liabilities	1,678,000	2,459,000	1,874,000
Retail liabilities	3,037,000	2,679,000	1,614,000
Construction liabilities	984,000	588,000	664,000
Commercial service liabilities	1,317,000	1,058,000	610,000
Total liabilities	$12,163,000	$13,814,000	$18,982,000
COTTON SEED — DEPT. OF COMMERCE—			
Received at mills (tons) Aug. 1 to June 30	3,980,210	3,957,796	3,005,926
Crushed (tons) Aug. 1 to June 30	3,983,923	3,869,340	3,015,377
Stocks (tons) June 30	95,815	187,984	108,255
COTTON SEED PRODUCTS—DEPT. OF COMMERCE—			
Crude Oil—			
Stocks (pounds) June 30	32,616,000	43,054,000	19,990,000
Produced (pounds) Aug. 1 to June 30	1,242,385,000	1,204,362,000	948,871,000
Shipped (pounds) Aug. 1 to June 30	1,239,450,000	1,200,378,000	951,900,000
Refined Oil—			
Stocks (pounds) June 30	111,689,000	126,912,000	204,106,000
Produced (pounds) Aug. 1 to June 30	1,132,418,000	1,084,466,000	885,584,000
Cake and Meal—			
Stocks (tons) June 30	94,516	100,037	87,958
Produced (tons) Aug. 1 to June 30	1,847,711	1,793,606	1,328,672
Shipped (tons) Aug. 1 to June 30	1,800,136	1,740,510	1,272,342
Hulls—			
Stocks (tons) June 30	45,331	44,254	40,069
Produced (tons) Aug. 1 to June 30	899,096	871,979	709,263
Shipped (tons) Aug. 1 to June 30	889,573	863,533	695,119
Linters—running bales—			
Stocks June 30	108,208	132,728	90,740
Produced Aug. 1 to June 30	1,249,464	1,213,034	968,435
Shipped Aug. 1 to June 30	1,221,000	1,160,050	912,749
Hull Fiber (500-lb. bales)—			
Stocks June 30	316	477	312
Produced Aug. 1 to June 30	17,599	17,485	18,678
Shipped Aug. 1 to June 30	17,584	17,309	18,869
Motes, grabbots, etc. (500-lb. bales)—			
Stocks June 30	15,725	17,685	11,723
Produced Aug. 1 to June 30	44,792	43,673	38,335
Shipped Aug. 1 to June 30	39,580	36,501	28,342
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX 1935-39=100 (COPYRIGHTED) AS OF JULY 1:			
Composite index	141.2	140.9	135.3
Piece goods	144.0	144.0	135.7
Men's apparel	140.4	139.9	134.4
Women's apparel	137.1	137.0	130.4
Infants' and children's wear	130.6	129.7	125.6
Home furnishings	148.0	147.0	142.5
Piece goods—			
Silks	130.4	129.6	123.1
Woolens	139.4	138.9	134.1
Cotton wash goods	167.6	168.2	155.4
Domestics—			
Sheets	182.2	182.5	170.0
Blankets and comfortables	140.3	140.3	138.6
Women's apparel—			
Hosiery	107.8	107.5	107.9
Aprons and housedresses	146.5	146.5	144.5
Corsets and brassieres	133.0	133.0	132.5
Furs	161.4	158.2	144.3
Underwear	138.9	138.9	130.1
Shoes	140.9	140.9	129.9
Men's apparel—			
Hosiery	140.5	140.2	136.5
Underwear	154.8	154.8	142.7
Shirts and neckwear	132.6	132.5	130.1
Hats and caps	126.8	126.8	127.5
Clothing, including overalls	131.1	130.9	127.0
Shoes	169.5	169.5	157.5
Infants' and children's wear—			
Socks	131.1	131.1	127.0
Underwear	121.1	121.0	118.0
Shoes	144.7	144.7	138.8
Furniture	150.5	150.2	146.3
Floor coverings	154.8	154.1	148.7
Radios	123.5	123.5	124.4
Luggage	131.0	131.0	125.5
Electrical household appliances	139.0	136.9	132.7
China	133.0	132.8	127.8
NEW CAPITAL ISSUES IN GREAT BRITAIN—			
Midland Bank, Ltd.—Month of June	£9,939,000	£13,480,000	£12,303,000
NEW YORK STOCK EXCHANGE—			
As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$619,467	$614,720	$550,046
Credit extended to customers	68,349	68,600	62,477
Cash on hand and in banks in U. S.	336,347	360,368	398,012
Total of customers' free credit balances	579,203	618,868	650,858
Market value of listed shares	74,506,911	74,703,907	66,547,890
Market value of listed bonds	______	135,369,744	140,148,124
Stock price index, 12-31-24=100	82.3%	82.8%	77.3%
Member borrowings on U. S. Govt. issues	$139,777	$153,653	$206,010
Member borrowings on other collateral	257,486	232,154	209,679
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)			
Month of April):			
Net railway operating income	$53,104,074	$60,724,331	$59,459,540
Other income	16,065,108	17,285,602	18,700,035
Total income	69,169,182	78,009,933	78,159,575
Miscellaneous deductions from income	3,663,872	3,915,897	3,397,361
Income available for fixed charges	65,505,310	74,094,036	74,762,214
Income after fixed charges	30,160,439	38,594,265	38,495,916
Other deductions	3,244,194	3,147,705	2,803,991
Net income	26,916,245	35,446,560	35,691,925
Depreciation (way & structures & equip.)	30,773,529	30,471,453	29,305,578
Amortization of defense projects	1,366,669	1,369,805	1,339,356
Federal income taxes	20,205,989	26,104,975	21,600,082
Dividend appropriations:			
On common stock	2,956,177	9,725,988	3,052,627
On preferred stock	1,204,088	11,372,449	3,589,507
Ratio of income to fixed charges	1.85	2.09	2.06

Management's Part in the Free Enterprise System

(Continued from page 8)

the engineering part of his undertaking.

The management part was in many ways even more interesting. The determination to make but one type of machine and one size of that type was deliberately made by Mr. Hartness in view of certain ideas in management which he had worked out after much thought before he became a responsible manager. He recognized the fact that an industrial plant is a social organization. He recognized the fact that men like to have a feeling of competence and importance. He recognized the fact that for the great majority of men this does not mean that they assume heavy and serious responsibility but does involve knowing all about their job and the part they plan in producing a successful and highly regarded end product. To make this possible in a small machine shop required the simplification of the product. It required a comparatively small range of operations for each man. It required and made possible a sense of competence and a pride of result in men who with greater responsibilities and more difficult tasks would have been dissatisfied and uneasy. All this Mr. Hartness put down years later in a little book which McGraw-Hill published entitled "The Human Factor in Works Management."

This was a concrete example of the shift from the provision of capital to the art of management as the fundamental element of success in business. Since the end of the 19th century this process has gone very far. Capital, for the most part, at the present time is drawn from innumerable sources, largely anonymous. The great industrial organizations of the country have numbers of stockholders running into the thousands. The capitalist as such has almost disappeared. Capital is the sum total of the savings and investment of innumerable stockholders of small, moderate, or fairly large means.

Examples Left of Capitalist Class

There are a few great examples left of the capitalist class. Perhaps the most outstanding example is the du Pont family, which as generation succeeds generation, does increase in numbers but still preserves apparently enough of the clan discipline to make it a rare example of a capitalist group. Their activities have grown over the years. From being specialists in explosives, the family went into chemicals in general. From that they expanded into automobiles and the tire industry. From there they went into electric refrigerators and other household equipment. They are now one of the world's leading locomotive builders through their interest in the Electromotive Division of General Motors. By no means all or even a majority of the capital now invested in their far-flung enterprises belongs to the family, but it remains a fact that they are surviving representatives of the dimishing capitalist class. It must be said, however, that their success has been due to their skill in selecting managers of the enterprises which their money has supported.

In other such great undertakings as the American Telephone & Telegraph Company and Montgomery Ward, capitalist control has largely disappeared, and operations are vested in management's hands. Capital ownership is so finely subdivided, the stock is so broadly distributed that scarcely any other means of control could be devised short of the assumption of such control by a socialistic government.

Control more and more is vested in the self-perpetuating management group, which seeks for its business new and younger men who in turn take the places of the older ones. There is no single capitalist and, under ordinary circumstances, there is no business combination of capitalists (that is to say of stockholders) in these great companies who has the voting power or the business ability to control in detail the operations of the companies which they own. It is very much to the credit of these self-perpetuating management groups that they have to so great an extent served the interests of their stockholders as well as provided for themselves salaries, position and power in some degree commensurate with the responsibilities they have assumed.

Management's control of these great businesses is not of course complete or final. There has been more than one example of situations in which such businesses have been mismanaged. When that takes place, the directors representing the stockholders have to take on the responsibilities of the old-fashioned capitalist. They have to reorganize, to seek new management, and start again along more efficient and effective lines.

To sum all this up, let us realize that this is not a capitalistic era. This is the era of management and management groups.

While I do not have the figures at hand to substantiate the contention, I would guess that in the group of those receiving $25,000 and more of income, a larger part goes to the management group than goes to the investing or capitalist group. Again, this is not a capitalistic age. It is a management age.

Rewarding Management

Some of the nominal salaries of management are very high. I say "nominal" because, as we all know, the high-salaried man is in a very large measure a channel by which money is diverted to the U. S. Treasury, and he receives only that part which an all-wise Federal Government decides to allow him to retain. Now, are these high salaries earned?

Along with the few examples which occur to me of high-salaried managers who turned out to be unsatisfactory from the stockholders' standpoint, I can think of many more men who have been an excellent bargain to those whose money was invested in the enterprise. Without cudgeling my memory, I can think of two companies, both on the verge of bankruptcy, who made bargains with capable managers, which seemed fantastic to many of the stockholders, but to which they reluctantly agreed. In both of these cases and in many more, the high salaries paid resulted in rescuing those businesses from bankruptcy and making the previously worthless stock assets of high value to those who had been fortunate enough and wise enough to hold on to them.

Stockholders have shown more or less wisdom in the way in which management has been paid for its efforts. Sometimes it is on a straight-salary basis. Sometimes it has been on a basis of sales. Sometimes it has been a basic salary plus some percentage on dividends paid. Of these various plans, salaries based on sales are least satisfactory, since it is entirely possible to increase sales without increasing profit. Bonuses based on dividends paid more clearly reflect the stockholder's interest, though even here an unconscientious manager, and let us hope there are not many such, might for a period of time milk the earnings of the company unwisely into dividends and thus to the agreed-on extent into his own pockets to the ultimate injury of the enterprise. Various other plans which involve relationships between dividends, increase in net worth, or other considerations, have been tried and appraised. Fundamentally, however, the wise thing to do from the stockholders' standpoint is to pay the successful manager well and to appraise his actions on the basis of the long-range interests of the owners of the business.

A Record of Managerial Ability

In general, as stated, the management class has a high record of ability and of service to stockholders. This record is based upon a recognition of their own long-range self-interest rather than short-range profit. Our society may well be proud of the record this class has made as a whole. This record and the rewards gained are only possible in a free enterprise system. The management group has a great stake in this system.

On business trips to Europe in 1920 and later, I ran into a number of concrete examples of a different point of view in the management class from that which we hold in this country. To some extent, in England, more particularly on the continent, managing directors and their subordinates were found to be timid and lacking in imagination. The position which they had obtained was one which had been reached with difficulty and the general attitude was to make sure that no mistakes were made which might jeopardize that position. They were concerned with holding on rather than with climbing. Such managers would not have lasted long under American conditions, but they probably reflected the point of view of an employing capitalist group which was less impersonal and more directly connected with these enterprises than is the case in the typical successful American business. We are going to have an opportunity under ECA to find out to what extent creative imagination exists or can be developed in those countries. Creative management can do much for the Old World and the people who live in it.

Even Russia has come to see the necessity for engaging the interest of competent management. The management class is given more salary and numerous desirable perquisites. It is, however, far from free. Its opportunities for improvement are limited by governmental controls. Its supervisors are held responsible for and often suffer from the conditions imposed by the social organization under which they live.

In England, management is swamped by bureaucracy. Whether under English socialism or Russian communism, management, production, and ultimately the consumption of the population is being reduced by the absence of the free enterprise under which management thrives and performs the highest social service. Those who wish to enjoy these forms of social organization must pay the price of a lower standard of living. Given free range of competent management and freedom from the excesses of government controls involved in these two social systems, it would be possible to improve greatly the material welfare of these two countries.

Preserving Management's Position

In this age of management, in which the manager enjoys power, material reward and a feeling of satisfaction in exercising his experience and abilities, the preservation of his position must be to him and to his class a matter of serious consideration. That preservation can only come as a result of the sensitiveness of the members of the management class to their responsibilities as trustees for stockholders, for suppliers, for employees, and for their customers.

Management's Responsibilities

Fortunately, the tradition of which this class has been developed is on the whole favorable to this sensitiveness. Many years ago, as a young machine tool salesman, I was led to observe the differences in the relationships between the manufacturer and the customer as revealed by my dealings with a representative of a British firm which was establishing a branch plant in this country. I first approached him with a method of making an important unit of his product with machinery built by the firm by whom I was employed. He was interested and prepared to follow my proposals. After my return to the head office and after having given thought to the matter, it became clear to me that by making certain changes in holding the work, two pieces could be made at once, in the same time that was required for doing them one at a time. This would cut in half the number of machines which the prospective customer would have to buy. With joy in my heart at the good news I had for him, I returned to the prospective customer and told him of my new suggestion. At once he became suspicious. He said, "What is your game anyway?" It was quite clear, and I verified it later by swapping of experience, that in the business atmosphere in which this man had been raised the interests of the buyer and seller were considered to be diametrically opposed to each other. The buyer sold as much as he could at the highest possible price, and the seller had his eye fixed on the ancient Latin motto *"Caveat emptor"* which, translated, means "Let the buyer beware." That it was better business to establish long-term confidence between buyer and seller on the basis of giving him high-grade engineering service was an idea he and men like him could not comprehend. Yet is was rapidly growing in those early days to be a fundamental principle in American business and has since become well nigh universal.

There is, likewise, a responsibility to the companies from which one makes purchases. This responsibility is a little bit more remote in its long-range effects on the business being managed but it is nevertheless a real one. I refer to the requirements that in times of slow business, suppliers be not beaten down in price to the last possible cent which can be squeezed out of their price. It is true that this is in accordance with old-fashioned laissez-faire doctrine, about which I will have more to say in a later talk. Yet it is true that if the supplier is a responsible concern, making the desired quality of goods at a competitively satisfactory price, it is far better in the long run to keep him operating satisfactorily than to drive him to the wall. This policy of driving suppliers to the wall was definitely practiced by one of the automobile companies many years ago. Fortunately, it is no longer a policy of its present management.

This responsibility to suppliers must not extend to the point of subsidizing the weak and inefficient. Any good manager will be able in his own mind to draw the line between subsidy on the one hand and destructive exploitation on the other.

It goes without saying that management has a responsibility to its employees, of which the fundamental one is that it shall be successful and be able to provide continuous and remunerative employment to those who work for it. It is a part of management's business to have human understanding, as well as to encourage the productive efficiency of those whom it employs.

It is a most fortunate circumstance that these responsibilities to purchasers, to suppliers, and to employees when met, give to the like-minded manager a greater sense of satisfaction of human relations well met. I called it a "circumstance," as though it were a happenstance. Really, there is something fundamental in the relationship between morally worthwhile action and long-range self-interest. Of this, also, I have something to say in a later discourse.

Of course the most direct obligations which management assumes are those of looking after the interests of the stockholders. The interests of the stockholders include those which have been described as relating to the purchaser, the supplier, and the employee. But management, in operating the stockholders' business with the stockholders' capital has direct responsibilities. The responsibilities refer to profitable operations and for such moderate and continued expansion of plant and operations as can be safely assimilated and maintained. These requirements are perfectly familiar to management and do not need to be elaborated on here.

Management is the great beneficiary of our free enterprise system. It is deeply concerned with its maintenance. Its maintenance seems to depend on a precarious balance, skillfully maintained, between the interests of all the groups with which management is concerned. The problem seems complicated. It would seem to require the utmost skill to maintain this balance. It must be of a sort which brings advantage to all the parties concerned. Precarious though this balance seems, skillful though the moves taken to maintain it must be, the precariousness is not so great nor is the skill so rare but that intelligent human beings are well able to carry out these difficult responsibilities, even in a time like this which is full of uncertainty and change.

When these responsibilities are skillfully carried out, management and stockholders are not the only groups which are served. The whole structure of our industrial society and all who live in it and by it are likewise served and strengthened.

Kent-Moore Organiz. Stock on Market

The investment banking firm of George A. McDowell & Co., Detroit, is the principal underwriter of 56,000 shares of common stock of Kent-Moore Organization, Inc., offered to the public July 21. Following the approval by the stockholders of a 4-for-1 split of the company's common stock, increasing the outstanding shares to 320,000 shares, the stock is being offered publicly for the first time and is part of the holdings of present stockholders, and does not represent new financing. The shares are being offered at $7.50 a share, and other firms making the offering include Ames, Emerich & Co., Inc., Chicago; Buckley Securities Corp., Philadelphia; and Sills, Minton & Co. Inc., Chicago.

Harriman Ripley Co. Promotes W. S. Cluett

The Board of Directors of Harriman Ripley & Co., Inc., 63 Wall Street, New York City, have appointed W. Scott Cluett to be Manager of the syndicate division of the sales department.

Wallace Calls for Draft Repeal

(Continued from page 8)

shackles they placed on young people in the closing days of the last session.

"Let us carry the challenge to both old parties on their entire program. Let us see what the two old parties will do to meet the needs of young people.

"Young men and women in industry today want a decent minimum wage. They want jobs. In 1947, young people made up 20% of the total labor force in the country—but they made up more than *half* of the *unemployed* people in the country. The jobs offered to young people are for the most part un-skilled and low paid. The training of young workers is tied to methods that keep them at low wages for long periods. Child labor is still an outrage in this country. There were three times as many young people in the ages 14-15 employed in 1947, the year of our greatest peacetime employment, as in 1940.

"We can cut through this jungle of artificial barriers placed in the way of young people by passing a decent minimum wage law providing at least $1 an hour and equal pay for equal work by young workers. That minimum wage law could virtually wipe out the disgrace of child labor. That minimum wage law could extend the coverage of the present Act to include millions of young workers in stores and processing plants who are now denied the protection of the Act. A decent minimum wage law could provide beginners' standards that would enable young workers to move rapidly into higher wage scales.

"Need I say at this point that no such law has been proposed either by the Republican Party or by the President's own Party?

"The young industrial worker and his family, no less than the older worker, wants a halt to high prices. Let us force both old parties to lower prices to the levels of 1946, to provide subsidies so that adequate food will be within the reach of all. Let us force the profiteers of inflation to sacrifice some, at least, of their greatest profits in history. Let us see whether the two old parties will dare act against the interests of their rich contributors.

"Young people demand adequate housing. But adequate housing means that both old parties must roll back the prices of many industrial materials, they must allocate materials specifically for housing, they must spend government funds to insure really low cost housing where private builders cannot build them.

"Let us challenge the two old parties to provide such a program of housing that will supply 4 million new homes in the next two years—as we in the New Party advocate. But the two old parties know they cannot provide the housing that young America needs as long as they are committed to building barracks. They must take steel and aluminum and lumber from the making of guns, and battleships and military airplanes they must cut profits of big industry, they must control big business and not young people. We challenge them to do so."

COMING EVENTS

In Investment Field

Aug. 27, 1948 (Denver, Colo.)
Bond Club of Denver-Rocky Mt. Group of IBA joint Annual Party at Park Hill Country Club

Sept. 10, 1948 (New York City)
Security Traders Association of New York Summer Outing at Travers Island.

Nov. 13, 1948 (Chicago, Ill.)
Bond Traders Club of Chicago Luncheon for members of NSTA passing through Chicago on way to the Convention.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

McCall Com. Holders Get Purchase Rights

McCall Corp., magazine publishers and originator of the printed pattern in women's fashions, offered July 21 to holders of its common stock, rights to purchase an additional 87,167 shares of common stock at $26 per share. Subscription warrants entitling holders to purchase one share of additional stock for each six shares held of record July 20, expire at 3 p.m. on Aug. 3, 1948. White, Weld & Co. is principal in the group underwriting the offering.

Proceeds from the sale of the additional stock will be added to working capital. A program of expansion and modernization at the company's printing plant in Dayton, undertaken in 1946, is expected to be completed at the end of the present year, involving a total cost of approximately $11,300,000, of which $8,300,000 had been expended by the close of 1947.

Successor to the fashion magazine and dress pattern business founded about 1870 by James McCall, the company was incorporated in 1913, about which time it acquired all the capital stock of The McCall Company. Principal business of the corporation is the publication of McCall's Magazine, Redbook Magazine and Blue Book Magazine, which accounted for approximately 58% of gross business in 1947.

The company also produces and sells McCall Printed Patterns and fashion publications which are distributed through approximately 7,500 dry goods, department and general stores in the United States, Canada, Europe, Latin America and other parts of the world. The company's pattern business accounted for about 24% of gross sales last year.

The corporation reported total sales in 1947 of $33,045,246 and net income of $3,038,856. In 1947, dividends totaling $3 per share were paid on the common stock.

John Quinlan Dead

John H. Quinlan, a member of the New York Stock Exchange since 1926, died early July 21 from a cerebral hemorrhage at the Sheraton Hotel.

On Oct. 14, 1926, he originally joined the New York Stock Exchange and then organized the firm of Quinlan & Co. with offices in New York. When the firm changed its name to Betts, Borland & Co., in November, 1932, Mr. Quinlan became a partner and represented the firm in New York until his death.

Ebbott a Director

Percy J. Ebbott, Senior Vice-President of the Chase National Bank, has been elected a director of Belding Heminway Co., Inc., it was announced by Raymond C. Kramer, Chairman of the company.

Dealer-Broker Recommendations

(Continued from page 8)

Continental Casualty Company—Analysis—First Boston Corp., 100 Broadway, New York 5, N. Y.

Flaks Merchandise, Inc.—Information—Peters, Writer & Christensen, Inc., U. S. National Bank Building, Denver 2, Colo.

General Motors Corp. — Summary and opinion—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Grinnell Corporation—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are an analysis of **H. H. Robertson Company** and leaflets on **Weekly Market Opinion**, the **Case Against Low Coupon Long-Term Bonds** and **Oils.**

R. Hoe & Co., Inc.—Analysis—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

Hooker Electrochemical Co. — Circular—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Hotel Windemere — Circular — Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

Imperial Oil — Memorandum — Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada

Also available is current information on **International Petroleum and Columbia Cellulose Co. Ltd.** bonds.

Melville Shoe Corporation—Reappraisal—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Maine Central Railroad — Descriptive Analysis—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Metal Forming Corporation — Current bulletin — First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Missouri Pacific Convertible $5\frac{1}{2}$s compared with **St. Louis-San Francisco** common—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Moore McCormack Lines, Inc.—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Murray Company of Texas, Inc.—Review—Schirmer, Atherton & Co., 50 Congress Street, Boston 3, Mass.

National Glass Co., Inc.—Card memorandum—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

New England Public Service Co. plain preferreds—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oster Manufacturing Co.—Description—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Parker Appliance Company — circular — du Pont, Homsey Co. 31 Milk Street, Boston 9, Mass.

Puget Sound Power & Light—Report—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available is a report on **El Paso Electric Company.**

Southern California Water Co. — Memorandum — Wagenseller & Durst, 626 South Spring Street, Los Angeles 14, Calif.

Stromberg-Carlson Company — Report on interesting speculation—De Haven & Townsend, Crouter & Bodine, Packard Building, Philadelphia 2, Pa.

Winters & Crampton Corp.—Analysis—C. E. Unterberg & Co. 61 Broadway, New York 6, N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

What the SEC Is Doing

(Continued from page 7)

of distribution of a red herring prospectus prior to the effective date of registration is one of the problems to be considered at this meeting by the members of the association. Perhaps the proposed document rule, which is part and parcel of the general problem might also be debated and your views concerning it offered to the Commission.

As fellow administrators, you realize full well the problems that confront the Commission. We shall certainly appreciate an expression of your opinions as to the merit and feasibility of this proposal in the light, not only of the Federal law, but also of the several state laws which you administer.

This is but one of the many problems which we can tackle hand in hand. To my mind, it is only by such mutual cooperation that we shall be able to achieve the ultimate goal of full investor protection which we all seek.

It is comforting to note in this connection that we administrators are not alone in seeking this objective. The National Association of Securities Dealers, the Investment Bankers Association, and the many national securities exchanges, such as the New York Stock Exchange and the New York Curb, are all contributing to the accomplishment of this common goal.

A High Peak of Professional Integrity

By reason of the joint effort of all parties, the securities market has reached a high peak of professional integrity. True, there are still some recalcitrants in the field. But I am confident that with our continued joint endeavor we shall be able to remove these few sharpers.

Such cooperation amongst us has been and will continue to be essential. We have come a long way since the trying '20s. Investor confidence in the securities markets, so sorely tried in the '20s and early '30s, is slowly but surely returning. No longer need the investor fear the baneful bucket shop; and he can be reasonably sure that he is not investing in a tailor-made market operated for the benefit of a few.

It is this investor confidence which we must nurture and safeguard. This is the aim not only of the securities administrators but of all honest men in the securities business.

This is particularly true in the present international crisis. An honest market, operated by honest men, can go toward staving off inflationary trends which might lead to depression. An honest market will bring in investor dollars to build new business, and contribute to the growth of established industries.

With the active assistance of our securities market, we have, all of us, witnessed the development of this country over a period of some 35 years from a debtor nation to the foremost creditor nation in the world. We are now called upon to play the part of protagonist in the financial rehabilitation and development of a world threatened by economic and political totalitarianism. In this new role, our securities market may be called upon to play a leading part to help, by private investment, rebuild the economies of countries outside our borders, as it has in the past built and maintained the productive capacities of our domestic enterprises. With an honest market, in which an investor may invest with confidence—a market free from artificial influences, where the customer is told the whole truth, I am sure the securities business will be able to win an "oscar" for its new role, and will earn the undying gratitude, not only of the citizens of this country, but of all the peoples of the world.

S. S. Kresge Company Common Stock Offered

An underwriting group headed by Lehman Brothers and Watling, Lerchen & Co. is offering publicly 167,955 shares of S. S. Kresge Co. common stock at $35.25 a share.

Of the 167,955 shares of common stock offered, 140,000 shares are being purchased by the underwriters from the estate of the late Anna E. Kresge, and the balance, 27,955 shares, is treasury stock being purchased by the underwriters from the company.

The net proceeds to be received by the company from the sale of the 27,955 shares of common stock being sold by it are intended to be added to the general funds of the company and to be available for general corporate purposes. No part of the net proceeds from the sale of the 140,000 shares of common stock will be received by the company.

After giving effect to the present financing, the capitalization of the company will consist of 5,517,872 shares of common stock, $10 par value. As of April 30, 1948, the only debt of the company and its subsidiaries consisted of obligations secured by seven first mortgages amounting to $1,241,891, of which $825,334 represented indebtedness of the company and $416,557 represented indebtedness of S. S. Kresge Co., Ltd., a wholly owned Canadian subsidiary.

The company's consolidated sales, for the year ended Dec. 31, 1947, amounted to $270,585,779. Net income for the same period was $20,798,473, equivalent to $3.77 per share of capital stock outstanding. The company has earned a net profit and has paid cash dividends on its outstanding common stock in every year since its incorporation in 1916.

New England Power Bonds Offered by Halsey Stuart

An underwriting group headed by Halsey, Stuart & Co. Inc., offered to the public July 21, $11,000,000 New England Power Co. first mortgage bonds, series B, 3%, due July 1, 1978, at 100.99% and accrued interest. Award was made to the group at competitive sale on its bid of 100.51. The issue has been oversubscribed and the books closed.

Net proceeds from the sale of the series B bonds, plus treasury funds, will be used by the company for the following purposes: (1) payment of the purchase price for the properties of Bellows Falls Hydro-Electric Corp.; (2) payment of the purchase price of that portion of the Bellows Falls-Pratt Junction Transmission Line located in New Hampshire and owned by the Connecticut River Power Co.; and (3) the balance of the proceeds to be applied to the reduction of indebtedness to banks totaling $2,400,000 as at June 15, 1948.

Redemption prices for the new bonds are set at 104.49% to 100%. For the sinking fund, the redemption prices are from 101% to 100%.

Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William A. Schneider is with Herrick, Waddell & Reed, Inc., 1012 Baltimore Avenue.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Commuting, Inc., White Plains, N. Y.
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work.

• Air Survey Corp., Washington, D. C.
July 12 (letter of notification) 5,000 shares of Class B (non-voting) ($4 par) common stock. **Price**—$6. For additional equipment and cash reserves. No underwriting.

American Fidelity Fire Insurance Co., New York
July 2 (letter of notification) 20,000 shares 80c non-convertible preferred stock (par $5). **Price**—$14 per share. Stockholders of record July 15 will be given the right to subscribe to the stock. Rights expire Sept. 9, 1943. Expand fire insurance business. No underwriting.

Angovar, Ltd., Beverly Hills, Calif.
July 7 (letter of notification) 1,000 shares (no par) common stock and 746 shares of 5% cumulative preferred stock (par $100). The 1,000 shares of common, evaluated at $5 each, and 100 shares of the preferred are to be issued to Molla V. Twomey "in consideration for her services" in organizing the company. The remaining 646 shares of preferred will be offered publicly. No underwriting.

Armstrong Rubber Co., West Haven, Conn.
June 30 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock, ($50 par) and 2,000 shares of class A common stock. To be sold at $44 and $11.75, respectively. This stock is being sold by James A. Walsh, President of the Company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Armstrong Rubber Co., West Haven, Conn.
July 8 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock ($50 par). To be sold at $44 each for Frederick Machlin, Executive Vice-President and Secretary of the company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Ashland Oil & Refining Co. (8/2-5)
July 14 filed 400,000 shares of $1.20 cumulative convertible preferred stock. **Underwriter**—A. G. Becker & Co. Inc. **Proceeds**—Of the total, 300,000 shares are to be sold for the account of the company and 100,000 shares for the account of two individuals. The latter are stockholders of Allied Oil Co., Inc., and the stock to be offered for their account is a part of the shares they are to receive in connection with the merger of Allied into Ashland. **Proceeds**—Proceeds from sale of company's stock are to be added to general funds and made available for further expansion of its interests.

• Associated Cooperative Grocers Co. of Southeastern Massachusetts, New Bedford, Mass.
July 15 (letter of notification) $50,000 of 4% convertible debenture certificates. No underwriter. For operating capital.

• Bar Harbor (Me.) Hotel Co., Inc.
July 15 (letter of notification) 3,000 shares of common stock ($100 par). **Price**—$100 per share. No underwriter. To erect a hotel.

• Bass Inc., Los Angeles, Calif.
July 13 (letter of notification) 12,500 shares ($10 par) common stock. **Price**—par. To build ponds and other facilities to raise black bass and produce fish food. No underwriting.

• Battle Butte Mining Co., Hot Springs, Mont.
June 23 (letter of notification) 6,000,000 shares of stock. **Price**—5¢ each. To develop a mine in Flathead County, Mont. No underwriting.

• Bellefonte Stone Products Corp., New York
July 15 (letter of notification) $40,000 6% debentures. **Price**—Par. Working capital. No underwriting.

• Blue Moon Foods, Inc., Thorp, Wis.
July 16 (letter of notification) 28,646 shares ($1 par) common stock. **Price**—$8 per share. No underwriter. For expansion and general business.

Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

• Central Illinois Public Service Co., Springfield, Ill. (8/17)
July 15 filed 574,087 shares ($10 par) common stock, owned by Halsey, Stuart & Co. Inc. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp., and Central Republic Co. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); A. G. Becker & Co. Expected about Aug. 17.

Central Maine Power Co. (7/26)
July 1 filed $5,000,000 first and general mortgage bonds, series Q, due 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—To reduce outstanding short-term construction notes payable to the First National Bank of Boston, the proceeds of which were used for additional construction and other corporate purposes. **Bids**—Bids for the purchase of the bonds will be received at company's office, 443 Congress Street, Portland, Me., up to 11 a.m. (EDT), July 26.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

• Central Ohio Distributing Co., Columbus, Ohio
July 12 (letter of notification) $15,000 5% sinking fund debentures, due 1959, with stock purchase warrants attached; 750 shares (no par) common stock to be bought at prices ranging from $5 on Sept. 1 to $6.25 after Sept. 1, 1953, under exercise of the warrants; 2,280 shares (no par) common stock to be sold to three persons at $5 a share. **Underwriter** — The Ohio Co., Columbus, O. For additional working capital for the company and a wholly-owned subsidiary and to purchase equipment for the subsidiary.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages. Expected by mid-July.

Century Steel Corp., Hollydale, Calif.
Nov. 10 filed 4,000 shares ($100 par) common. **Underwriting**—None. Shares will be sold at par by directors. **Proceeds**—To purchase rolling mill, equipment and for working capital.

Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting**—None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds.

Chieftain Products, Inc., Brooklyn, N. Y.
July 2 (letter of notification) 50,000 shares of common stock and 30,000 warrants entitling the holder to purchase common stock. **Price**—$2.75 per unit consisting of one share of common and 1½ warrants. General corporate purposes. **Underwriter**—Dunne & Co., New York.

Clinton (Mich.) Machine Co.
April 15 (letter of notification) 10,000 shares of stock to be sold at $5⅛ each (market price), for selling stockholder. **Underwriter**—Charles E. Bailey & Co., Detroit.

• Colonial Western Underwriters Co., Inc., Shreveport, La.
July 12 (letter of notification) 24,170 shares of Class A common stock ($1 par). **Price**—$10. **Underwriter**—Mid-South Securities Co., Nashville, Tenn. To purchase the controlling interest in other corporations, particularly life insurance companies.

• Commercial Discount Corp., Chicago, Ill.
July 16 (letter of notification) 5,970 shares $3.50 prior preferred stock, ($50 par) and 11,940 shares of Class A comomn stock. To be sold in units of one share of preferred and two shares of Class A common for $50.25 per unit. **Underwriter**—Julien Collins & Co. Working capital and general corporate funds.

Commonwealth Edison Co. (7/27)
June 29 filed $50,000,000 first mortgage bonds, series N, due June 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Proceeds**—For working capital to be used for construction. **Bids**—Bids for purchase of the bonds will be received at company's office, 72 West Adams Street, Chicago, up to 11 a.m. (CDT), July 27.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $3,000,000 non-dividend common stock ($25 par); $6,000,000 of 3½% five-year and 4½% 10-year cumulative certificates of indebtedness; and $2,000,000 of 1½% demand and 2½% 6 months cumulative loan certificates. No underwriting. **Offering**—Offered only to stockholders and patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

• Continental Motors Corp., Muskegon, Mich.
July 19 filed 300,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne Noel Corp. **Proceeds**—To be applied toward the payment of $3,500,000 bank notes.

• Cooperative Homebuilders, Inc., Seattle
July 15 (letter of notification) "as many shares as possible of $500 par common stock, up to the maximum of 250 shares authorized, will be offered to employees of the corporation; balance of $156,000 of stock to be issued will consist of $100 par value preferred stock, which will be offered to employees and the general public." **Underwriter**—Loring MacDonald. For a down payment on property and for working capital.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc. Being placed privately.

Deere & Co., Moline, Ill. (7/26-29)
July 7 filed 250,000 shares (no par) common stock. **Underwriter** — Harriman Ripley & Co., New York. Price by amendment. **Proceeds**—Stock is being sold by trustees of two trusts, one for the benefit of Katherine Deere Butterworth and others, and one created by the will of Charles H. Deere, with 125,000 shares offered by each.

• DuMont (Allen B. Laboratories, Inc., Passaic, N. J.
July 16 filed 150,000 shares of 5% cumulative preferred stock, ($20 par) and 29,515 shares of Class A common stock **Underwriters**—Van Alstyne Noel Corp. and Gearhart & Co., Inc., New York. **Price**—$20 each. **Proceeds**—To increase working capital, gain additional facilities, including a manufacturing plant for $1,700,000, a television station in Pittsburgh for $300,000 and moving the Washington station for $125,000. **Business**—Television.

Dunk Donut Corp., Highland Park, Mich.
July 8 (letter of notification) 300,000 shares ($1 par) common stock. Price, par. **Underwriter**—Charles E. Bailey & Co., Detroit. To establish shops, pay debts and increase working capital.

Eureka Corp. Limited, Toronto, Ontario, Can.
July 7 filed 675,000 shares ($1 par) common stock and 405,000 common stock purchase warrants to be offered shareholders at the rate of one for each 25 held. **Underwriter**—None is planned. **Price**—135,000 units are to be offered, consisting of five common shares and a stock purchase warrant for three shares, for $7.50 per unit. **Proceeds**—To de-water mine, cross-cut to the ore zone, and for repayment of temporary loans.

Exeter & Hampston Electric Co., Exeter, N. H.
June 24 (letter of notification) 8,125 shares of common stock (par $20). **Price**—$33 per share. Stockholders of record June 30 given right to subscribe on basis of one new share for each two shares held. Rights expire July 26. **Proceeds**—For additions, extensions and improvements to plant and to pay present short-term notes totaling $130,000.

NEW ISSUE CALENDAR

July 26, 1948

Central Maine Power Co., 11 a.m. (EDT)	**Bonds**
Deere & Co.	**Common**
Pacific Telecoin Corp.	**Equip. Trust Ctfs.**
Shoe Corp. of America	**Preferred**

July 27, 1948

Commonwealth Edison Co., 11 a.m. (CDT)	**Bonds**

July 28, 1948

General Plywood Corp.	**Preferred**
Liberty Magazine, Inc.	**Common**
Western Maryland Ry.	**Equip. Trust Ctfs.**

August 2, 1948

Ashland Oil & Refining Co.	**Preferred**
Hawaiian Electric Co., Ltd.	**Preferred**

August 3, 1948

National Battery Co.	**Preferred**

August 4, 1948

McCall Corp.	**Common**
Public Service Electric & Gas Co.	**Preferred**
Reading Co., noon (EDT)	**Equip. Trust Ctfs.**

First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common.

Fission Mines Ltd., Toronto, Canada
April 16 filed 200,000 shares of treasury stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—$1 a share. **Proceeds**—For mining and business costs.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds. Registration statement effective Jan. 16.

● **Fuller Brush Co., Hartford, Conn.**
July 12 (letter of notification) 3,000 shares of ($100 par) preferred stock. **Price**—par. To raise working capital and retire existing indebtedness. No underwriting.

General Plywood Corp. (7/28)
June 25 filed 100,000 shares of 5% cumulative convertible preferred stock (par $20). A firm commitment has been entered into with a group of underwriters covering half of the shares, and these, together with the balance of the stock, will be publicly offered. **Underwriters**—F. S. Yantis & Co., Inc., W. L. Lyons & Co., H. M. Byllesby & Co., J. C. Bradford & Co., Crowell, Weedon & Co., Cruttenden & Co., Martin, Burns & Corbett, Inc., Berwyn T. Moore & Co., Inc., Mullaney, Wells & Co., William R. Staats & Co., Van Alstyne, Noel & Co., Dempsey & Co., A. G. Edwards & Sons, Herrick, Waddell & Reed, Inc., Hickey & Co., Mason, Moran & Co., O'Neal-Alden & Co., Inc., Wilson-Trinkle & Co., Inc. and Holton, Herrington, Farra Co. **Proceeds**—To reimburse the company's treasury for expenditures made in connection with the building and equipping of their new veneer and plywood plant at Savannah, Ga., the cost of which was approximately $1,650,000. **Price**—At par. **Offering**—Expected at end of July.

Hawaiian Electric Co., Ltd., Honolulu (8/2)
June 29 filed 50,000 shares of series D cumulative preferred stock (par $20) and 100,000 shares of common stock (par $20). **Offering**—To be offered common stockholders at the rate of one additional common share for each 3½ shares held and one share of preferred for each seven common shares held. **Price**—Par in each case. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. **Proceeds**—To pay off short-term promissory notes and the balance for construction.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 2,041 shares of class A common stock and 5,000 shares of class B common stock (par $100). **Price**—Par ($100 per share). **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heyden Chemical Corp., New York, N. Y.
June 29 filed 59,579 shares of cumulative convertible preferred stock (no par) to be offered common stockholders in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

● **Horseshoe Basin Mining & Development Co., Inc., Bremerton, Wash.**
July 12 (letter of notification) 175,000 shares of common stock. **Price**—60 cents each. For mining development and equipment. No underwriting.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Illinois Bell Telephone Co., Chicago, Ill.
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

Illinois Power Co., Decatur, Ill.
June 30 filed 690,098 shares of common stock (no par value). To provide for conversion of 345,049 shares of outstanding 5% cumulative convertible preferred stock (par $50) which the company intends to call for redemption at $52.50 per share and accrued dividends. Each preferred share is convertible into two common shares. Public offering is contemplated of the common stock not issued in conversion. Underwriting and offering price to be filed by amendment. Probable underwriter: The First Boston Corp. **Proceeds**—To redeem the preferred stock and for construction.

● **Indiana & Michigan Electric Co., South Bend, Ind.**
July 14 filed $25,000,000 first mortgage bonds, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Dillon, Read & Co. Inc.; Harriman Ripley & Co. **Proceeds**—To prepay $6,000,000 of bank notes borrowed for construction and $10,000,000 borrowed by Indiana Service Corp. and assumed by the company under a merger, and for treasury funds.

Industrial Stamping & Manufacturing Co., Detroit
July 7 (letter of notification) 150,000 shares ($1 par) common stock. Price, par. To build an addition to the company's plant, equip it, and supplement working capital. **Underwriter**—Baker, Simonds & Co., Detroit.

International Asbestos Co., Ltd., Sherbrooke, Quebec
Jan. 30 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Paul E. Frechette, Hartford, Conn., is the U. S. authorized agent and principal underwriter. **Price**—$1 each. **Proceeds**—To construct milling plant and purchase equipment.

● **International Television Corp., New York**
July 14 (letter of notification) 300,000 shares of common stock (par 10¢). **Price**—$1 per share. Organization expenses, additional equipment working capital. **Underwriter**—Henry P. Rosenfeld Co., New York.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. **Proceeds**—For working capital and other corporate purposes.

● **Kingsburg (Calif.) Cotton Oil Co., Kingsburg**
July 14 (letter of notification) 20,000 shares ($1 par) capital stock. **Price**—$4.25 per share. No underwriter. Proceeds to selling stockholders.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

● **Liberty Magazine, Inc., New York (7/28)**
July 20 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$2.50 per share. **Underwriter**—Hendrickson & Co., New York. Proceeds to National Magazines, Inc.

● **Lincoln Telephone & Telegraph Co., Lincoln, Neb.**
July 12 (letter of notification) 15,000 shares ($16⅔ par) common stock. **Offering**—To be offered present stockholders at the rate of one share for each eight now held. **Price**—$20. To extend plant facilities. No underwriting.

Line Material Co., Milwaukee, Wis.
July 8 (letter of notification) 5,000 shares ($5 par) capital stock. To be sold at $19.75 a share for W. D. Kyle, President of the company. **Underwriter**—The Milwaukee Co.

● **Lord's, Evanston, Ill.**
July 16 (letter of notification) 2,000 shares 5% second preferred stock ($100 par). **Price**—$100 per share. No underwriter. To increase working capital.

McAleer Manufacturing Co., Rochester, Mich.
June 15 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—C. G. McDonald & Co. **Proceeds**—No purpose given.

McCall Corp. (8/4)
June 24 filed 87,167 shares of common stock (no par). **Offering**—Offered to common stockholders of record July 20 on basis of one new for six shares held. Warrants expire Aug. 3. **Underwriter**—White, Weld & Co. **Price**—$26 per share. **Proceeds**—For working capital.

McVicar Mining Co., Ltd., Vancouver, B. C.
July 14 filed 400,000 shares (par 50¢ Canadian funds) common stock and 1,100,000 common share purchase warrants, as well as 1,100,000 common shares to be reserved for issuance upon exercise of warrants. **Underwriter**—Carstairs & Co., Philadelphia. **Price**—60 cents (U. S. funds) and 60 cents (Canadian funds) for not more than 100,000 shares to be sold in Canada; one cent each for the warrants. **Proceeds**—General funds and to develop mining property.

● **Metrogas, Inc., Chicago, Ill.**
July 15 (letter of notification) 1,200 shares (no par) common stock. **Price**—$52.50 per share. No underwriter. To pay unsecured notes, to repay advances from an affiliate and to purchase additional customers premise equipment.

Midwest Packaging Materials Co., St. Louis, Mo.
June 25 (letter of notification) 3,500 shares of common stock (par $5). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—Edward D. Jones & Co.

● **Montgomery Mines, Inc., Bonners Ferry, Idaho**
July 12 (letter of notification) 300,000 shares of non-assessable capital stock. **Price**—25 cents per share. **Underwriters**—Henry Jacob Ratz. For mine development.

● **Mutual Bond & Mortgage Corp., New York**
July 16 (letter of notification) 2,850 shares of 5% cumulative preferred stock (par $100) and 2,850 shares class B stock (par $1). **Price**—$105 per unit, consisting of one share of each. General funds. **Underwriting**—None.

National Battery Co. (8/3)
July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes.

National Electric Products Corp., Pittsburgh, Pennsylvania
June 23 (letter of notification) 2,000 shares of common stock (par $50). **Price**—$37.50 per share. **Underwriter**—Singer, Deane & Scribner. **Proceeds**—To executors of an estate.

Northern States Power Co. (of Minn.)
June 3 filed 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. **Bids**—On July 13 Lehman Brothers submitted a bid of 100.759 for a dividend rate of 4.80%. Smith, Barney & Co. bid 100.57 also for a 4.80% dividend. Company rejected the bids for the stock.

● **No-Sag Spring Co., Detroit, Mich.**
July 15 (letter of notification) 14,000 shares of common stock. **Price**—$10 per share. Stockholders given right to subscribe for one share of new stock for each 10 shares owned. No underwriter. For additional working capital.

Nuera Products Co., Denver, Colo.
May 10 filed 100,000 shares ($10 par) 6% preferred stock, and 20,000 shares (1 mill par) common stock. **Underwriting**—None named. **Price**—10 shares of preferred and two of common will be sold for $100. **Proceeds**—To build, furnish and tool a factory and apply close to $500,000 to working capital.

O-Cel-O, Inc., Buffalo, N. Y.
June 24 (letter of notification) 3,000 shares of preferred stock (par $45) and 6,000 shares of common stock (par $1) to be issued in units of one share of preferred and two shares of common to be offered pro rata to common stockholders of record July 2, 1948, at $50 per unit. Rights expire Aug. 2. Corporation will also offer pro rata to the common stockholders who exercise said right any units offered but not purchased by other stockholders. **Price**—Preferred at $45 per share and common at $2.50 per share. **Underwriter** — None. **Proceeds** — For expansion of plant facilities for the manufacture and sale of cellulose products.

● **Official Films, Inc., New York**
July 16 (letter of notification) 49,000 shares 35¢ cumulative preferred stock (par $5) and 49,000 shares of common stock (par 10¢). **Price**—$6 per unit, consisting of one share of each. Working capital and other general corporate purposes. **Underwriter** — Aetna Securities Corp., New York.

Old North State Insurance Co.
June 24 filed 100,000 shares of capital stock (par $5). **Price**—$15 per share. **Underwriter**—First Securities Corp., Durham, N. C. **Offering**—26,667 shares will be initially offered on a "when, as and if issued" basis; 13,333 shares will be purchased by underwriter for public or private offerings; and the remaining 40,000 shares will be publicly offered on a "best efforts basis" on completion of the subscription of the first 40,000 shares and the company's receipt of a license to do business in North Carolina. **Proceeds**—For general business purposes.

Pacific Associates, Inc., San Francisco, Calif.
June 29 (leter of notification) 8,000 shares 6% cumulative prior preferred stk. ($25 par); 16,000 shares ($1 par) common stock, and 16,000 shares of common to be issued upon exercise of warrants held by owners of the prior preference stock. All stock to be sold at par value. Proceeds to pay off a bank loan, make advances to a wholly-owned susbidiary, Klamath Machine & Locomotive Works, Inc., and for additional working capital. Hannaford & Talbot, San Francisco, will be selling agents.

(Continued on page 38)

(Continued from page 37)

Pacific Telecoin Corp., San Fran. (7/26-29)
June 10 (letter of notification) $300,000 4½% equipment trust certificates, series A, dated July 1, 1948, and due July 1, 1951. **Underwriters**—Gearhart & Co., Inc., and Paul D. Sheeline & Co. **Proceeds**—For equipment, to retire debt and for working capital.

Pennsylvania Industries Corp., Pittsburgh, Pa.
June 24 filed 214,987 shares common stock (par $10) to be exchanged for the stock of Pennsylvania Industries, Inc. (old company), viz: 21,190 shares in exchange for old company common stock (one for each 28 of old) and 193,797 shares to the holders of outstanding $6 cumulative preferred stock on basis of three common for one preferred.

● **Pitney-Bowes, Inc., Stamford, Conn.**
July 14 (letter of notification) 7,500 shares of common stock. To be offered to employees only under the Employees' Stock Purchase Plan.

Plymouth Rubber Co., Canton, Mass.
July 9 (letter of notification) 2,500 shares of common stock. To be sold for Walter H. Bieringer, Brookline, Mass. **Price**—$5⅛. **Underwriter**—E. W. Clucas & Co., New York, and J. Arthur Warner & Co., Boston.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

● **Powers Oil & Drilling, Inc., Casper, Wyo.**
July 14 (letter of notification) 800,000 shares (25¢ par) common stock. **Price**—25 cents per share. **Underwriter**—John G. Perry & Co. For drilling operations.

Public Service Electric & Gas Co. (8/4)
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Bids were asked to be submitted July 7, but company has postponed sale until Aug. 4.

Republic Aviation Corp., Long Island, N. Y.
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceised. Certain optionees may reoffer shares purchased. **Proceeds**—For general funds.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co., Worcester, Mass.

● **Rock of Ages Corp., Burlington, Vt.**
July 16 (letter of notification) 400 shares (no par) common stock. **Price**—$13.50 per share. **Underwriter**—Lee Higginson Corp. For general corporate funds.

● **Rocky Mountain Casualty Co., Denver, Colo.**
July 13 (letter of notification) 25,000 shares ($5 par) preferred and 2,500 shares of ($5 par) common stock. **Price**—$10 per share for each class. No underwriters. To increase surplus.

● **Rudy Manufacturing Co., Dowagiac, Mich.**
July 13 (letter of notification) 10,000 shares ($1 par) common stock. **Price**—$3. An option to purchase these shares will be given to Jerome J. Keane, treasurer of the company. For working capital and general corporate purposes. No underwriting.

Sangamo Electric Co., Springfield, Ill.
June 29 (letter of notification) 8,500 shares (no par) common stock, (stated value $8 a share). **Price** — $33.625. **Underwriter** — Paul H. Davis & Co., Chicago. Proceeds will be used to partially reimburse the treasury for expenditures in connection with a new $1,000,000 plant at Marion, Ill.

Sanger Bros., Inc., Dallas, Tex.
June 25 (letter of notification) 2,000 shares of common stock (par $2.50). **Price**—At market (about $11.25 per share). **Underwriters**—Walker, Austin & Wagener and Stifel, Nicolaus & Co. **Proceeds**—To selling stockholder.

Savoy Oil Co., Inc., Tulsa, Okla.
June 8 filed 150,000 common shares (25¢ par). **Underwriting**—None. **Offering**—Stockholders of record June 30 are given rights to subscribe at $2.50 per share on or before July 16 for 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others at $2.50 per share upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. **Proceeds**—To be added to general funds of company.

Schuster (Ed.) & Co., Inc., Milwaukee, Wis.
July 2 filed 15,000 shares of cumulative preferred stock (par $100). **Underwriters**—Name by amendment. **Proceeds**—For general corporate purposes.

Schwitzer-Cummins Co., Indianapolis, Ind.
July 6 (letter of notification) 3,000 shares 5½% class A cumulative preferred stock ($20 par) to be sold by Louis Schwitzer, Sr., chairman of the board of directors. **Underwriter**—Paul H. Davis & Co., Chicago.

Shoe Corp. of America, Columbus, O. (7/26-29)
June 28 filed 25,000 shares of cumulative preferred stock (no par), with class A common share purchase warrants attached and 25,000 shares of common stock reserved for warrants. **Underwriter**—Lee Higginson Corp. **Proceeds**—For general corporate purposes.

● **Silica Products Co., Inc., Tacoma, Wash.**
July 13 (letter of notification) 246 shares of non-assessable common capital stock ($100 par). **Price**—par. For exploration work and equipment. No underwriting.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

● **Sylvania Electric Products, Inc., New York**
July 19 filed 200,000 shares (no par) common stock. **Underwriters**—Paine, Webber, Jackson & Curtis; White, Weld & Co.; Lee Higginson Corp., Estabrook & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For expansion of the television tube business of the company.

Tabor Lake Gold Mines, Ltd., Toronto, Canada
April 2 filed 300,000 shares (par $1) preferred stock. **Underwriter**—Mark Daniels & Co., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—For mine developments.

Tanner & Co., Indianapolis, Ind.
June 15 (letter of notification) 3,000 shares of 5½% cumulative preferred stock (par $100). Holders of 492 shares of presently outstanding 6% cumulative preferred stock will be offered in exchange 492 shares of the new 5½% preferred stock, share for share. **Price**—Par and accrued dividends. To be offered in Indiana only. **Underwriter**—City Securities Corp. **Proceeds**—To retire $225,000 of promissory notes and for working capital.

● **Traderhorn Mines, Inc., Dishman, Wash.**
July 14 (letter of notification) 50,000 shares ($1 par) class A common stock and 150,000 shares (1¢ par) common stock. To be offered in units of one share of Class A common stock and three shares of common stock at $1 per unit. No underwriter. For exploration and development work.

● **Trans Caribbean Air Cargo Lines, Inc.**
July 19 (letter of notification) $150,000 7% convertible equipment trust certificates, series B, due Aug. 1, 1951. **Price**—Par. **Underwriter**—Gearhart & Co., New York. To pay $39,600 promissory note, balance for corporate purposes.

U. S. Airlines, Inc., St. Petersburg, Fla.
June 2 (letter of notification) 171,000 shares ($1 par) common stock. **Price**—56 cents each. To be offered for Frances B. Law, Robert B. Law, and Theodore N. Law. **Underwriter**—R. H. Johnson & Co., New York.

United Air Lines, Inc., Chicago
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering**—To be made to common stockholders on basis of one share for each five held. **Proceeds**—Expenditures for equipment and facilities, retiring bank loan and debentures. Temporarily postponed.

● **Upson Co., Lockport, N. Y.**
July 19 (letter of notification) 1,000 shares common stock (par $10). **Price**—$16.50 per share. **Underwriter**—J. W. Gould & Co., New York. Proceeds to selling stockholder.

● **Utah Cooperative Association, Salt Lake City, Utah**
July 12 (letter of notification) $200,000 4% five-year loan capital notes and 5% 10-year loan capital notes, to be sold in multiples of $25 each. For working capital and to obtain an interest in an oil refinery as a source of gasoline and oil products for the association. No underwriting.

Victor Products Corp., Hagerstown, Md.
June 28 (letter of notification) 42,800 shares of common stock, of which 21,503 shares will be sold to single holder of the majority of the outstanding voting stock and 21,297 shares will be offered publicly. Stockholders of record July 6 are given the right to subscribe in the ratio of one new share for each 10 shares held. Rights expire Aug. 10. **Price**—$7.50 per share. **Underwriter**—None. **Proceeds**—To increase working capital.

● **War Eagle Gold Silver Lead Mining Co., Seattle**
July 14 (letter of notification) $50,000 one-year 6% notes. No underwriter. For mining operations.

● **Western Solvents Inc., Longmont, Colo.**
July 12 (letter of notification) 1,160 shares ($20 par) common stock and 1,900 shares 5% cumulative preferred stock ($20 par). **Price**—Par for each class. To build and equip plant for oil-seed processing and for operating capital. No underwriting.

● **Wisconsin Public Service Corp., Milwaukee**
July 19 filed $5,250,000 first mortgage bonds, series due Aug. 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Goldman, Sachs & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and Central Republic Co. (jointly); Shields & Co.; Kidder, Peabody & Co.; Harris Hall & Co. (Inc.); Harriman Ripley & Co., Inc. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For the payment of $4,600,000 of short-term bank loans and for construction.

● **Wolverine Products, Inc., Milan, Mich.**
July 15 (letter of notification) 8,750 shares ($10 par) common stock. **Price**—$11 per share. No underwriter. To purchase three plastic injecting molding presses and for working capital.

Yeakley Oil Co., Alamosa, Colo.
April 30 filed 10,000 shares of common stock (par $10). **Underwriting**—None. **Price**—$10 per share. **Proceeds**—Mainly for development.

Zonolite Co., Chicago, Ill.
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. Price by amendment.

Prospective Offerings

● **Arkansas Power & Light Co.**
Company has applied to the Arkansas P. S. Commission for authority to issue $7,500,000 first mortgage bonds. Company plans to sell the issue to highest bidder as soon as regulatory approval can be secured.

Boston Insurance Co.
July 28 stockholders will vote on approving the issuance of 100,000 shares of additional capital stock, which will be offered to stockholders in September on the basis of one new share for each three shares held. It is expected that a group of underwriters headed by First Boston Corp. will underwrite the new stock.

● **Detroit Bank, Detroit**
July 14 stockholders voted to release 50,000 shares of capital stock (par $20) to be offered to old stockholders at $60 per share on basis of two shares for each seven shares held of record July 14. Rights expire Aug. 3. Unsubscribed shares will be underwritten by First of Michigan Corp. and Watling, Lerchen & Co. Standby expires Aug. 3.

● **Detroit Edison Co.**
July 28 the SEC will hold hearings on application of American Light & Traction Co. for permission to sell at competitive bidding 190,000 shares of Detroit Edison capital stock. Probable bidders include: The First Boston Corp.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Blyth & Co., Inc.

● **Missouri Pacific RR.**
July 20 company applied to the ICC for authority to issue $4,700,000 equipment trust certificates, series KK. The certificates will be dated Aug. 1, 1948, and are to mature serially over a period of 10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); The First Boston Corp. and Salomon Bros. & Hutzler (jointly).

● **National Tea Co.**
July 19 President H. V. McNamara stated that store modernization will require additional capital before the year's end and it is expected to be obtained through rights to stockholders to purchase additional common shares.

Pacific Telephone & Telegraph Co.
July 14 reported company has plans under consideration for sale of $75,000,000 debentures. The expectation in underwriting circles is that the offering will be along about the latter part of September. Probable bidders at the sale include Morgan Stanley & Co. and associates and Halsey, Stuart & Co. Inc., and associates.

● **Reading Co. (8/4)**
Bids for the purchase of $3,440,000 equipment trust certificates, series P, will be received at office of R. W. Brown, President, Room 423, Reading Terminal, Philadelphia, up to noon (EDT) Aug. 4. Certificates will be dated Sept. 1, 1948 and will mature $172,000 semi-annually March 1, 1949-Sept. 1, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Dick & Merle-Smith (jointly); Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Rockland Light & Power Co.**
July 17 reported company has plans under consideration for sale, probably in the fall, of some $7,500,000 in "new money" bonds.

Southern California Edison Co.
July 12 reported company planning a $25,000,000 of first mortgage bonds early in September. The money will be used to help finance its construction program. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Shields & Co.; F. S. Moseley & Co. and Lee Higginson Corp. (jointly).

● **Southern Railway**
July 16 reported company has under consideration plans for sale of approximately $8,000,000 in equipment trust certificates. The offering, it is expected, will come up for bidding on or about Sept. 29. Probable bidders: Harriman Ripley & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc.

● **Western Maryland Ry. (7/28)**
The company will receive bids to be opened July 28 for the sale of $5,300,000 equipment trust certificates. The certificates, to be dated Aug. 15, 1948, will mature in 10 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Blair & Co.

Western Massachusetts Electric Co.
July 9 company applied to the Massachusetts Department of Public Utilities for authority to issue $11,000,000 of mortgage bonds or unsecured notes, proceeds of which would be used to retire $5,695,000 outstanding obligations and to finance the company's expansion program.

White Motor Co.
Aug. 18 stockholders will vote on approving the issuance of 120,000 shares of new convertible preferred stock ($50 par) to be sold publicly. Proceeds will be used to increase the company's working capital. Hornblower & Weeks may be underwriters.

Our Reporter's Report

Most observers are satisfied that the new issue market is definitely headed into the summer doldrums and likely to remain there for the next four or five weeks.

In the meantime, it appears, from conjecture about the financial community, that underwriters who took on most of last week's business will find their time occupied in working off unsold balances of such issues in the interval.

Latest reports indicate that with the exception of Westinghouse Electric's big $80,000,000 offering of new debentures, which went out quickly, few of these deals are more than 50% sold at the moment.

Managers of the syndicate which handled the marketing of Northern States Power Co.'s $10,000,000 of first mortgage 3s announced that the group had been terminated and the books closed.

Meanwhile the sharp reaction which has overtaken the equity market is calculated to slow down the rush which appeared to have been starting, particularly among utility companies, toward marketing new preferred issues.

Two such projects have come a cropper within the last fortnight, with prospective issuers pointing to unsatisfactory market conditions as the reason for not accepting bids received. That situation, far from having improved in the meantime, has deteriorated a bit more.

It Makes a Difference

As time goes on it appears that the "customer must be right." This was indicated in the course of marketing of two moderate-sized utility issues in the week, while at the same time denoting the determination of institutions to get a return of 3% or better.

Equitable Gas Co.'s $14,000,000 of new first mortgage bonds were bought by bankers as 3¼s on a bid of 100.409. Repriced for public offering at 100.84 to yield 3.20%, preliminary inquiries were in a volume which suggested a quick sell-out.

New England Power Co.'s $11,000,000 of first mortgage bonds, on the other hand, were awarded as 3s on a bid of 100.51. Repriced at 100.99 to yield 2.95%, it was reported that inquiry for this issue was a bit on the sluggish side.

Pacific Gas & Electric

This big coast utility is seeking authorization for vast new construction which will entail the outlay of an estimated $116,000,000 over a period of time. Bankers calculated that a substantial portion of this expenditure will be provided for through the sale of new securities.

They recalled that last October the company floated $75,000,000 of first and refunding bonds, series Q, due 1980 with a 2⅞% coupon. At that time three large banking groups sought the issue and the successful group marketed the bonds at a price of 100.

Belief prevails that if, and when, the company gets around to undertaking necessary new financing bankers seeking the business will be found in pretty much the same line-ups; that is, with one big Coast house heading a group in competition to two others, one led by a Chicago banking house and the other by a New York firm.

Two Equities Registered

The week brought two more substantial equity undertakings to the stage of registration with the Securities and Exchange Commission, but evidently the time for actual marketing of these stocks will depend in large measure on the behavior of the seasoned market during the period of "hibernation."

Sylvania Electric Products, Inc., filed for 200,000 shares of new common to provide funds for the expansion of manufacturing capacity and necessary working capital.

And Continental Motors Corp. filed for 300,000 shares of common which would be sold to make available funds which, along with treasury cash, will be applied to extinguishment of outstanding bank loans.

Politics—Conservatives Again in Saddle

(Continued from first page)

secured more power since their days of serfdom, yet it has been by alternate periods of conservatism and new dealism. Fifty years ago the Conservatives of England were in control and England was a great world power. Today the reverse is true, although the Conservatives will come back again someday even in England.

This same Law of Action and Reaction has also ruled our country. The first twenty years, under Washington and the Federalists, were very conservative. Then came a reaction under Jefferson and the country enjoyed its first New Deal. This was overdone and there was a reaction to conservatism. Again the Conservatives abused their power and there was another New Deal under Jackson. These changes alternated up to the conservative regime of Coolidge and Hoover when the masses again revolted and put the New Dealers into power. Now, according to Newton's Law, a conservative government is again due. It will probably be administered by the Republican Party—not necessarily because its principles are any better; but because of Newton's Law.

During the great days of the British Empire when the highest type of men were in control, England ruled the seas, and these leaders—fearful of the Revolutionists across the Channel in France—were determined to have the English people the most prosperous of any nation. Today, the United States is faced with a similar opportunity. Our country has men with excellent minds; we control the ships of the air which make the world so small that Europe is as close to us today as France was to England 100 years ago. Furthermore, our industrialists and labor leaders now realize that the best way of fighting Communism is to have continued prosperity here at home.

Also, a Conservative Party in this country would now have a far greater opportunity for achieving good results than Conservatives ever had before. The Federal Reserve, the Securities & Exchange, the Shipping and scores of Commissions, with their tremendous powers, are appointed by the President. Since the Coolidge and Hoover regimes, the real power has been shifted from members of Congress to these various Commissions, the members of which are appointed instead of elected. No Conservative Administration could ever have brought about these changes in Government; in fact, they came only through the personality of Franklin Roosevelt and under war conditions. Now, however, the Republican Party if successful in November would inherit these huge powers.

Under the above circumstances, it appears that four or more years of good business may be ahead, with perhaps our country entering a great new era of world expansion with untold possibilities. Not only are our opportunities great, but far-seeing captains of industry are realizing that they must share more with labor, must take a greater interest in the welfare of foreign people, and in fact must avoid another severe period of unemployment in order to save their own skin. In short, there are signs that our financial and business interests are really "getting religion," and are convinced that they must apply this religion to overcome Communism. Of course, based upon this same Law of Action and Reaction, the Conservatives will someday again abuse this power and another New Deal Administration will again have its turn. We, however, need not discuss this now.

U. S. Chamber Scores Proposed Controls

(Continued from page 15)

They broke down and would again if reimposed.

"Allocations of strategic industrial materials in short supply and price control on these materials, appear to be related not primarily to the cost of living but to the success of the European Recovery and the Arms programs. Since a system of voluntary allocations is in the process of development, compulsory controls should not be employed.

"Statesmanlike and vigorous support for this program on the part of business and industry would go far to ensure its success, to reduce the likelihood of compulsory controls, and to merit the respect of the community.

"The forces of inflation still exist. Consumer, business and government expenditures have risen and are continuing to rise at a rate in excess of expanding production, now limited in the short run by existing plant and equipment and the attainment of full employment. These increasing expenditures have been made possible by the wartime expansion of the total money supply and its continued expansion in the postwar period. To meet this situation the Chamber urges the following measures:

"(1) Restraint by agriculture, business and labor in the determination of prices and wages. No single type of income—to farmers, workers, or businessmen — can alone be regarded as the cause of increases in the cost of living. All are the result of inflationary factors though increases in each contribute to the final result.

"(2) Intensive study should be given to monetary and fiscal measures designed to reduce the rate of increase in the supply of bank deposits and currency. The appropriate agencies of the Government should make strenuous efforts to develop and apply a monetary policy capable of curbing inflation. At present opinion is divided in this field. The Administration seems never to have faced the implications, for Treasury and Federal Reserve policy of the possibility of the rejection or failure of its proposed remedies. Federal Reserve officials are not in agreement concerning the possibility of control with existing powers and there has been little public discussion of the possibility of preserving short-term order and stability in the bond market and curbing expansion in the longer run. In peacetime, fiscal and monetary measures, rather than direct economic controls, are the most effective means of dealing with inflation.

"(3) Strenuous efforts should be made to reduce the expenditures of Federal, State and local governments, through a search for and the elimination of waste, inefficiency and unnecessary expense. Services necessary to national security, safety, health and productive efficiency should not be impaired and aid programs should not be blindly slashed but the latter should be carefully scrutinized to ensure that their benefits are commensurate with their costs. Long-term improvements—Federal, State, and local—involving capital outlays should be postponed wherever possible.

"(4) Appropriate public and private agencies should give every encouragement to increased savings by consumers and should urge caution in the utilization of all forms of credit."

North Canadian Oil Common on Market

An issue of 903,572 shares of common stock (no par) of North Canadian Oils Ltd. is being offered at 70 cents per share by F. H. Winter & Co., New York.

Proceeds from the sale of 875,000 shares will be used by the company for general corporate purposes, particularly in connection with drilling. The remaining 28,572 shares are being sold for the account of certain stockholders.

Frederic Latsch Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — Lawrence G. Gessing has joined the staff of Frederic Latscha & Co., Traction Building. He was formerly with Horan & Grischy and Edward Brockhaus & Co.

With Draper, Sears & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTSMOUTH, N. H.—Valentine A. Ely is with Draper, Sears & Co. of Boston.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is unusually wide agreement in this capital city as to how it came about that President Truman called the special session of Congress, and on what may be expected to come of it. The accepted view of the President's motive was that he expected to put the Republican controlled Congress on the political spot. Theory of this is that the Congress once more probably will have to refuse to enact the President's program, particularly public housing and price control. Mr. Truman obviously is convinced that he has prime political merchandise, and that the refusal of Congress to buy it will detract from the confidence of the public in Congress, and thus from the Republican party. Mr. Truman hopes, of course, that this will make votes for him come Nov. 2.

On the other hand, should Congress be frightened into enacting even a part of the Presidential program, then the President would reap the popularity therefor. He would follow through with more oratorical beating of Congress for not enacting the balance.

Quite likely Mr. Truman also anticipated that he could put Governor Dewey also on the spot. He hopes he can force Mr. Dewey to take positions on these issues, positions that he might have avoided or "fuzzed." Or, perhaps the special session needle would force Mr. Dewey to announce his positions sooner than he desired, and with less finesse and planning than otherwise.

So in the net, the universal interpretation of Mr. Truman's extraordinary action is that it is entirely political. This feeling was not in the least dissipated by the circumstances of the special session call. It was made from the rostrum of the Democratic national convention. This is everywhere considered to be at least inept, and at worst, extremely bad taste, because Congress ordinarily is called into special session only for some matter of national, rather than political, import.

* * *

In these fast moving times, much can happen in a week or so. Unless something crops up, however, not now expected, the special session is likely to enact no part of Mr. Truman's special session program. Mr. Truman is believed by most to expect this negative result. He seems to think that another "no" to his program will boost the New Deal party's stock with the voters.

Long ago when some of Mr. Truman's buddies were sounding out the idea of the special session, they quickly got the word from the GOP Congressional command that what that leadership would do would be to shove civil rights and more civil rights legislation at Mr. Truman. That is still the intention. Civil rights proposals will be reported out of committee for their own sake. Civil rights riders will be attached to any legislation remotely bearing on the Truman program, when it comes out of committee. Civil rights riders will be added on the floor of the Senate to any legislation of any consequence other than civil rights.

Theory of the Republican Congressional leadership is that Democrats will engage in an exhaustive filibuster against this civil rights legislation. The President's own party thus will be tagged with responsibility for inaction. Republicans will escape "blame" if blame there is for the failure of Congress to legislate. It will be the fault of the disunited Democratic party for not letting this legislation go through so Congress could take up other things.

Whether this strategy works out so beautifully for the Congressional leadership remains, of course, to be seen. However, the general expectation is that after a few weeks at most of this macabre circus, Democrats and Republicans alike will join hands in solemn resolve to get Congress out of town. Then there will be no legislation.

* * *

There may be one fly in the ointment. That is the international situation. There is no assurance but that at any moment the international situation might break out into something so threatening all the Capitol Hill boys would have to suddenly stop the political ball-passing game and grab buckets, as it were, and go put out a fire. Such a prospect raises possibilities beyond appraising at this juncture.

* * *

One of the queerest ironies of the special session call is the position in which the southern Democrats find themselves. They surely will be fighting not only the Republicans but their own party leader and President. They will be the target of the counter-strategy of pushing civil rights legislation. Their filibustering is counted upon to prevent enactment of civil rights legislation. Their filibustering hence will be counted upon to clog the legislative channels so that there will be an excuse for the Republicans that none of the Truman program is passed. Thus the southern Democrats will ensure that Truman will succeed in his strategy of showing that Congress will reject his program. The southerners will provide the excuse that the Republicans need for failing to enact it.

Outcast by their own party at Philadelphia, the southern Democrats thus may be the helpless instrument of furthering its strategy, as well as that of the Congressional majority.

* * *

This pushing around of the southern Democrats is another factor which makes many Democratic professionals wince at the prospect of the special session. Actually during the convention it began to look for a time as though the southerners could live in superficial peace with the northern wing of the party. The civil rights plank of the platform seemed headed for a face-saving compromise just after Mr. Justice Douglas announced that he would not be the vice-presidential candidate. The South did not want him. Then the convention unexpectedly adopted a "strong" civil rights plank and rejected the southerners' traditional state rights plank. The defeat came so suddenly as to be anti-climactic.

Professionals think ahead of Nov. 2, and see no advantage in breaking open so soon the fresh wounds of the convention. The special session will enhance the bitterness of the southerners toward the successful (in the convention) northern wing. They may even go along with the Republicans despite the GOP civil rights drive, if their votes are necessary to stop Truman in the session.

So Mr. Truman threatens further smashing of party unity in the dubious hope (as the professionals see it) of reaping some advantage out of having the Congress say once more it will reject a program which the President thinks is popular. It may be that as a political quarterback it will work out that Mr. Truman is a genius, and that he really has hit upon the right play. On the other hand, the great majority of political opinion says it is the opposite. They don't observe politely in private that Truman is just a poor political general. Their observations are more caustic.

Of course, from the standpoint only of the President's personal political fortunes, there was everything to gain and nothing to lose. The President was a dead political duck anyway, and perhaps some long shot like this might offer hope of taking him out of the certain loser class.

* * *

Strange as it may seem, the government expects American business to grab for the $300 million of currency transfer guarantees for investments which they may make in the 16 ECA cooperating countries.

Under this deal the government undertakes only to guarantee the transfer risk. Thus, if a company invests in one of the ECA nations, it may be sure that when and if its investment is to be returned, or when the earnings of the investment are payable, the currency of the country of investment may be converted into U. S. dollars, regardless of the fact that conversion might be impossible on the market, or because of foreign exchange regulations.

On the other hand, ECA does not guarantee against political risks. So if the country of investment went commie, nationalized the American investment, or if the country devalued its currency and simultaneously imposed price control so as to reduce, in effect, the value of the investment's earnings, the American investor would be out of luck. Such contingencies are not underwritten. ECA only agrees to convert into U. S. currency the foreign currency at the exchange rate it recognizes at the time of conversion.

Despite these limitations, it is reported, there has been a large inquiry to ECA from American investors for these transfer guarantees. It is said that some companies are even proposing to sell capital goods in Germany and Austria on the basis of 50% payment in the common stock of the "borrower" and 50% in notes.

BUSINESS BUZZ

"I know it's your lunch hour, Miss LaPlanche, but couldn't you take your sunbaths at the beach?"

With Trusteed Funds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Ernest F. E. Kling is wtih Trusteed Funds, Inc. of Florida, Biscayne Building.